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In the Supreme Court of the United States

OCTOBER TERM, 1975

SAUNDERS ARCHERY COMPANY, Substituted for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,

Petitioner,

vs.

WRIST-ROCKET MANUFACTURING CO., INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

ESTHER O. KEGAN
GLENN E. KLEPAC
MICHAEL G. BERKMAN
KEGAN, KEGAN & BERKMAN
79 West Monroe Street, Suite 1320
Chicago, Illinois 60603
(312) 782-6495
Attorneys for Petitioner

UNITED STATES LAW PRINTING CO., CHICAGO, ILLINOIS 60618 (312) 525-6581

TABLE OF CONTENTS

PAGE

Opinions Below 1

Jurisdiction 2

Questions Presented 2

Statute Involved 3

Statement of the Case 3

Reasons for Granting the Writ 6

I. There Is A Conflict In The Circuits 6

II. An Important Issue Of Public Policy Under The Federal Trademark Law Has Never Been, But Should Be, Settled By This Court 10

Conclusion 11

Appendix A—Opinion of the Court of Appeals for the Eighth Circuit, May 12, 1975 .....App. 1

Appendix B—Denial of Rehearing, June 9, 1975 ....App. 14

Appendix C—District Court Opinion, May 30, 1974 App. 15

Appendix D—District Court Order, May 30, 1974 ..App. 58
as amended August 2, 1974 .....App. 61

Appendix E—Pertinent Provisions of the Statute Involved .....App. 63

TABLE OF AUTHORITIES

Cases

Coahoma Chemical Co., Inc. v. Smith, 113 U.S.P.Q. 413 (Comr. Pats. 1957); affd. 264 F.2d 916, 121 U.S.P.Q. 215 (CCPA 1959) 9

PAGE

Duffy-Mott Company, Inc. v. Cumberland Packing Co., 424 F.2d 1095 (CCPA 1970) 9

Johnson & Johnson v. Stratford-Cookson Co., 185 U.S.P.Q. 511 (TTAB 1975) 9

Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F. Supp. 973 (M.D. Tenn. 1971); affd. 470 F.2d 975 (6th Cir. 1972) 6

Tillamook County Cream Assn. v. Tillamook Cheese & D. Assn., 345 F.2d 158 (9th Cir. 1965) 10

Other Authorities

15 U.S.C. 1065 8

15 U.S.C. 1115(b) 6, 7, 8

15 U.S.C. 1119 ..... 6, 7, 8

R. T. Bryan, *Fraud in Trademark Procurement and Maintenance*, 61 T.M. Rep. 1 (1971) 8

3 Callman, *The Law of Unfair Competition and Trademarks*, (3 ed. 1969), §76.1 10

B. Diggins, *The Lanham Trade-Mark Act*, 35 Georgetown L.J. 147 (1947) 7

P.E. Williamson, Jr., *Trade-Marks Registered Under the Lanham Act Are Not "Incontestable"*, 37 T.M. Rep. 404 (1947) 7

92 Cong. Rec. 7524 (June 25, 1946) 8

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Petitioner, Saunders Archery Company, appellee and cross-appellant in the court below, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Eighth Circuit entered in this case.

Opinions Below

The opinion of the Eighth Circuit, dated May 12, 1975, reported unofficially in 186 U.S.P.Q. 5, is set forth in Appendix A. Rehearing was denied on June 9, 1975, and notice thereof is set forth in Appendix B. The District

Court Memorandum Opinion of May 30, 1974 as amended August 2, 1974 (reported at 379 F. Supp. 902 and 183 U.S.P.Q. 17), is set forth in Appendix C. The District Court's Order of May 30, 1974, is set forth in Appendix D.

Jurisdiction

The Court of Appeals entered its judgment on May 12, 1975 (App. A). Petition for rehearing, timely filed, was denied on June 9, 1975 (App. B). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1) and Rule 22.3 of the Rules of this Court.

Questions Presented

1. Is the federal court prohibited from exercising its express statutory authority (15 U.S.C. 1119) to rectify the Patent Office trademark register by cancelling a trademark registration when the registration is "incontestable" but was obtained by material false, but not fraudulent, statements made by the registrant in his application to register the mark?

2. Does the filing of an affidavit under Section 15 of the Trademark Act (15 U.S.C. 1065) with respect to a registration issued on an application containing false material statements made to the Patent Office become "incontestable" as against the first user and common law owner of the trademark?

3. Can a court decree that the first user and common law owner of a trademark does not have exclusive right to use said trademark because a competitor owns an "incontestable" registration obtained by making material false statements to the Patent Office?

4. Can a court order that a valid mark may be used by a competitor of the common law owner of said mark on the identical goods in the identical geographical area when the competitor never had any rights of ownership of the mark, and require each party to add an additional mark to indicate source of origin?

Statute Involved

The statute involved is the Federal Trademark Act of 1946, as amended (15 U.S.C. 1051-1127). Pertinent provisions are reproduced as Appendix E.

STATEMENT OF THE CASE

Respondent filed suit in the United States District Court for Nebraska charging petitioner with infringement of the trademark WRIST ROCKET, and unfair competition. Petitioner counterclaimed under 15 U.S.C. 1119 for a declaratory judgment that it, rather than respondent, was the equitable owner of Trademark Registration No. 792,882, and for damages resulting from false representations made to the Patent Office by the trademark applicant. Jurisdiction was present under 28 U.S.C. 1338(a).

The District Court held that petitioner is the sole lawful owner of the trademark WRIST ROCKET; that respondent's Trademark Registration No. 792,882 was procured by false statements to the Patent Office and that said registration should be cancelled; that petitioner could register the mark WRIST ROCKET; that respondent had engaged in trademark infringement by using the trademark WRIST ROCKET after January 19, 1972; and that petitioner was entitled to an award of damages (with the exception of attorneys' fees). Both parties appealed.

The Court of Appeals reversed the District Court in part and held that a court cannot cancel, under 15 U.S.C. 1119, a trademark registration made incontestable pursuant to 15 U.S.C. 1115(b); and that the court could not enjoin further use of the registered mark by the registrant even though the registration was issued on an application with material false statements to the Patent Office. The Appeals Court affirmed the District Court's finding that petitioner is the common law owner of the mark, but reversed the District Court's holding that petitioner's right to use the mark is exclusive. The Appeals Court reversed the injunctive order against respondent and held that both parties have the right to use the mark WRIST ROCKET in the sale of wrist-braced slingshots in their respective areas and that purchaser confusion from this concurrent use can be obviated by each party adding an additional mark that identifies the source. The case was remanded to the District Court for further proceedings consistent with the opinion of the Appeals Court.

From 1954 until 1971 Charles Saunders (predecessor to petitioner) distributed an arm-braced slingshot manufactured by Howard Ellenburg (predecessor to respondent). In 1954 Saunders selected and first used the trademark WRIST ROCKET upon his slingshot. Both the District Court and the Court of Appeals held that Saunders was the sole lawful owner of the trademark WRIST ROCKET (App. 58 ¶2; App. 8).

In 1964 Howard Ellenburg filed an application for registration of the trademark WRIST ROCKET, stating the mark was first used on September 30, 1954, but Ellenburg did not use the mark in 1954; Ellenburg was relying upon Saunders' sales of WRIST ROCKET slingshots to get the benefit of trademark use for his application (T.

111-112, 141). On July 20, 1965, the Patent Office issued Registration No. 792,882 on the mark WRIST ROCKET to Ellenburg. An affidavit of "incontestability" was filed by Ellenburg on July 16, 1971.

The District Court found that falsity did exist in Ellenburg's application by misrepresentations made and by mutilated specimens submitted, but that there was no evidence of fraud on Ellenburg's behalf.

Saunders had no knowledge of Ellenburg's registration of the trademark WRIST ROCKET until late 1971, when a dispute arose between the parties over pricing policies. On October 19, 1971, Saunders sent Ellenburg a 30-day written notice of termination of their business relationship. After November 19, 1971, Saunders manufactured its own slingshots and continued to sell slingshots under the mark WRIST ROCKET.

After November 19, 1971 Ellenburg sold slingshots under the mark WRIST ROCKET. Ellenburg changed the corporate name of Trumark Manufacturing Co. on January 25, 1972 as Wrist Rocket Manufacturing Co. The District Court held that respondent was an implied licensee of petitioner and authorized to use the mark only as long as the business relationship continued plus a notice period, or until January 19, 1972.

REASONS FOR GRANTING THE WRIT

I. There Is A Conflict In The Circuits

The decision below conflicts with the broad judicial powers given courts by the Trademark Act. Also the present Eighth Circuit decision conflicts with a relevant decision of the Sixth Circuit concerning the authority of the courts, under Section 37 of the Trademark Act (15 U.S.C. 1119), to cancel "incontestable" registrations for a reason not within the seven grounds for cancellation outlined in Section 33(b) of the Act (15 U.S.C. 1115). The District Court below determined it had the statutory authority to "rectify" the trademark register and to cancel an incontestable registration obtained by false, but not fraudulent, statements to the Patent Office.

Such judicial review of "incontestable" registrations was exercised by the Sixth Circuit in *Schwinn Bicycle Co.* v. *Murray Ohio Mfg. Co.*, 339 F. Supp. 973 (M.D. Tenn. 1971); affd. 470 F.2d 975 (6th Cir. 1972). The District Court in the Sixth Circuit held that a design mark, being functional, was not a true mark, and the nondisclosure of this functionality destroyed a prima facie presumption of validity of a nominally "incontestable" registration. Accordingly, cancellation was ordered for a reason not specifically enumerated in 15 U.S.C. 1115(b), the court stating:

> "Thus it is clear that an inherently defective trademark, one not entitled to registration with the Office of Patents as being an invalid mark at common law, is not rendered valid by becoming incontestable under §1115(b)." 339 F.Supp. 973, 982.

The District Court decision was affirmed *per curiam* 470 F.2d 975 (6th Cir. 1972). Similarly, in the instant case, Saunders as the first user, and exclusive owner, of the mark WRIST ROCKET under common law should not have such right to exclusivity negated because someone else improperly obtained a registration on which an affidavit of incontestability was later filed. In the instant case Ellenburg's false registration of the trademark WRIST ROCKET was void *ab initio*, so that his alleged right to use the mark could never become "incontestable."

The Court of Appeals for the Eighth Circuit, however, held that said Section 37 of the Trademark Act does not authorize courts to cancel incontestable registrations except on one of the seven grounds listed within Section 33(b) and reversed the District Court's order that respondent's registration on WRIST ROCKET be cancelled. "Fraud" is one of the listed grounds for cancellation; material misrepresentations to the Patent Office, short of the intent to defraud, is not a ground specifically listed in Section 33(b). The Circuit Court also reversed the District Court's exercise of its express statutory power under Section 37 (15 U.S.C. 1119) to "cancel registrations" and to "rectify" the register by holding petitioner had a right to register the mark WRIST ROCKET.

The Court of Appeals' reliance upon 15 U.S.C. 1115(b) as limiting a court's power under 15 U.S.C. 1119 to order cancellation of Ellenburg's false registration is not supported by any legislative history of the Trademark Act, or by comments upon this question published shortly after the Act came in force.[1] The principal Congressional au-

[1] B. Diggins, *The Lanham Trade-Mark Act*, 35 Georgetown L.J. 147, 198-199 (1947); P. E. Williamson, Jr., *Trademarks Registered Under the Lanham Act Are Not "Incontestable"*, 37 T.M. Rep. 404, 443 (1947).

thor of the Trademark Act, Representative Lanham, explained the effect of 15 U.S.C. 1115(b) [Section 33(b) of the Act] in commenting upon the Senate-House Conference Report:

> "It is clear from the language of the act and from the Congressional history of the act as it is found in the hearings and reports that the seven 'defenses or defects' listed under paragraph (b) of section 33 are intended to relate to and to affect the weight of the evidence to be given to the certificate of registration where the owner claims the benefit of the incontestable rule . . . but these *seven paragraphs are not intended to enlarge, restrict, amend, or modify the substantive law of trademarks either as set out in other sections of the act or as heretofore applied by the courts under prior laws.*" (Emphasis added). 92 Cong.Rec. 7524 (June 25, 1946)

A federal trademark registration becomes nominally "incontestable" after a registrant files in the Patent Office an ex parte affidavit pursuant to Section 15 of the Trademark Act (15 U.S.C. 1065). Under this ex parte process a Trademark Examiner must rely upon the accurateness and completeness of an applicant's submissions to establish that the applicant possesses common law rights worthy of protection by federal registration.[2] Judicial review is the only method available to counterbalance this ex parte procedure for obtaining "incontestable" federal registrations. Congress has thus authorized the federal courts to cancel registrations and to otherwise rectify the federal trademark register pursuant to 15 U.S.C. 1119 (Section 37 of the Trademark Act). Section 37 does not specifically exclude "incontestable" registration from the reach of the broad powers it grants to the courts, and "incontestable"

[2] R. T. Bryan, *Fraud in Trademark Procurement and Maintenance*, 61 T.M. Rep. 1, 2 (1971).

registrations should not be excluded because both the registration itself as well as "incontestability" are obtained through an ex parte process in the Patent Office.[3]

It is clear that Ellenburg's registration of the trademark WRIST ROCKET, even though nominally incontestable under 15 U.S.C. 1115(b), deserves cancellation because Ellenburg had no common law right to use the mark. Moreover, if Ellenburg had disclosed the facts to the Patent Office, no registration on WRIST ROCKET would have issued to him; the application would have have been deemed void ab initio: *Coahoma Chemical Co., Inc.* v. *Smith*, 113 U.S.P.Q. 413 (Comr. Pats. 1957); affd. 264 F.2d 916, 121 U.S.P.Q. 215 (CCPA 1959); *Johnson & Johnson* v. *Stratford-Cookson Co.*, 185 U.S.P.Q. 511 (TTAB 1975). The holding of the court below will encourage dishonesty and misrepresentations by applicants for registration of trademarks, since it provides a means by which false statements to the Patent Office become insulated from attack five years after a mark has been registered. The instant case affords this Honorable Court an opportunity to demonstrate that such false statements *are* subject to correction by the courts, even after a trademark registration has become nominally "incontestable."

We submit that the decisions of the Sixth Circuit in the *Schwinn* case and the District Court here below are consistent with the broad statutory powers intended by Congress to be given to the courts. The Eighth Circuit's limitation of judicial supervision over the Patent Office unduly deprives federal courts of needed power to "rectify" the trademark register. This Court ought to settle the conflict.

[3] *Duffy-Mott Company, Inc.* v. *Cumberland Packing Co.*, 424 F.2d 1095 (CCPA 1970).

II. An Important Issue Of Public Policy Under The Federal Trademark Law Has Never Been, But Should Be, Settled By This Court.

This is a case of first instance. Never before did any court compel the sole common law owner of a valid trademark to give up its exclusive right of use of its mark. The Eighth Circuit authorized use of the identical mark on the identical goods in the identical geographical area by the common law owner's competitor, who never had an independent right to use said mark, but did own an "incontestable registration" obtained by material false representations made to the Patent Office.

This Circuit Court decision ignored the fundamental policy of our trademark laws that rights of ownership and use confer the *exclusive* right to continue to use said mark. As one commentator in the field of trademark law has written:

> "Trademark rights arise out of appropriation and use, and the exclusive right to a distinctive mark belongs to the one who first appropriates and uses it in connection with a particular business." 3 Callman, *The Law of Unfair Competition and Trademarks* (3 ed. 1969), §76.1.

The Federal trademark law is predicated on the principle that the right to a trademark is not acquired by registration but stems from prior appropriation and use: *Tillamook County Cream Assn.* v. *Tillamook Cheese & D. Assn.*, 345 F.2d 158, 160, 161 (9th Cir. 1965). Consistent with this basic tenet, both courts below held that petitioner is the sole common law owner of the mark. Petitioner as the first user, and exclusive owner of the mark WRIST ROCKET under common law, should not have such right of exclusivity nullified by the Eighth Circuit giving respondent the right to use this same mark because respondent improperly obtained a registration for which an ex parte affidavit of incontestability had been filed.

The consequences of the Appeals decision that both parties, competitors in the sale of slingshots throughout the country, may use the same WRIST ROCKET mark destroys the effect of the trademark as a symbol of origin. The Court's attempt to obviate consumer confusion by requiring each party to add *another* mark reinforces our contention that the Appeals Court is destroying the admittedly valid WRIST ROCKET mark, which both courts held belonged to petitioner. In effect the Appeals decision is decreeing a kind of concurrent use but the Patent Office would never issue two registrations on the identical mark to two parties for use on the identical goods in the identical geographical area.

The public is involved in issues of trademark policy, and the public suffers when a trademark cannot be relied on for uniformity of quality signifying a single source of origin. The supervision of this Court is necessary to prevent distortion of trademark law as set forth in the Eighth Circuit opinion.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari to review the judgment of the Court of Appeals for the Eighth Circuit should be granted.

Respectfully submitted,

ESTHER O. KEGAN
MICHAEL G. BERKMAN
GLENN E. KLEPAC
Kegan, Kegan & Berkman
79 West Monroe Street, Suite 1320
Chicago, Illinois 60603
Attorneys for Petitioner

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

Nos. 74-1664, 74-1728

Wrist-Rocket Manufacturing Co., Inc.,
Appellant-Cross Appellee,

v.

Saunders Archery Company, Substituted for Charles Saunders d/b/a Saunders Archery Co.,
Appellee-Cross Appellant.

Appeal and Cross-Appeal from the United States District Court for the District of Nebraska.

Submitted: February 13, 1975
Filed: May 12, 1975

Before HEANEY and WEBSTER, Circuit Judges, and NANGLE, District Judge.*

HEANEY, Circuit Judge.

This appeal involves the right to use the trademark "Wrist Rocket" on wrist-braced slingshots. The mark is registered in the United States Patent Office to the appellant. Suit was brought in the United States District

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* JOHN F. NANGLE, District Judge, Eastern District of Missouri, sitting by designation.

Court for the District of Nebraska by the appellant alleging infringement of its registered mark and breach of fiduciary duty by the appellee. Relief in the form of an injunction and damages was sought. The appellee counterclaimed seeking a declaratory judgment that the exclusive right to use the mark was in it and an injunction against the further use of the mark by the appellant. It also sought damages for unfair competition and deceptive trade practices under the Nebraska Deceptive Trade Practices Act, Neb. R.R.S. §87-301 *et seq.*, and for false or fraudulent registration of the trademark under 15 U.S.C. §1120.[1] The trial was to the court. It held that:[2]

1. The appellant's action for trademark infringement and unfair competition had not been sustained by the evidence and must fail;

2. A hearing must be scheduled to determine the damages to which the appellant was entitled for the appellee's breach of fiduciary duty;

3. The appellee is the common law owner of the trademark "Wrist Rocket" as used in the sale of wrist-braced slingshots and replacement rubbers therefor and has the exclusive right to its use.

---

[1] 15 U.S.C. §1120 states:

> Any person who shall procure registration in the Patent Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

[2] The decision of the District Court is reported at 379 F.Supp. 902 (D. Neb. 1974).

4. The registration issued to the appellant should be cancelled, and the Commissioner of Patents be directed to issue a registration of the mark "Wrist Rocket" to the appellee upon proper application therefor;

5. The appellant had infringed upon the appellee's trademark by its use of the mark "Wrist Rocket" after January 19, 1972, and that the appellant had engaged in deceptive trade practices and unfair competition by its actions following said date. On the basis of this finding, the court ordered that:

a) The appellant be permanently enjoined from using the corporate name "Wrist Rocket Manufacturing Company, Inc." or any name confusingly similar thereto;

b) The appellant be permanently enjoined from using the mark "Wrist Rocket" in any manner on wrist-braced slingshots or replacement rubbers; and

c) A hearing be held to determine the damages to which the appellee was entitled for the appellant's use of the trademark "Wrist Rocket" sustained after January 19, 1972.

6. A hearing be held to determine the damages sustained by the appellee as a consequence of the false statements contained in the appellant's application for registration of the trademark "Wrist Rocket."

7. The appellee not entitled to attorneys' fees and costs under Nebraska law.

Both parties appeal. The appellant assigns as error the District Court's findings in Items 1, 3, 4, 5(a-c) and 6. The appellee assigns as error the District Court's findings in Items 2 and 7. For the reasons hereinafter stated, we affirm the District Court's findings in Items 1 and 7,

we reverse its findings in Items 4 and 5 (a-b), we partially reverse its finding in Item 3, and we express no opinion as to the District Court's findings in Items 2, 5(c) and 6.

I.

Initially, we must examine the jurisdictional basis for our review. The parties assume that we can consider the cause pursuant to 28 U.S.C. §1291, which provides for review by Courts of Appeal from all final decisions of the District Court. Generally, a final decision ends the litigation and leaves nothing for the court to do but execute the judgment. *Gialde* v. *Time, Inc.*, 480 F.2d 1295, 1299 (8th Cir. 1973). Here, the litigation is not concluded. As regards the issues of breach of fiduciary duty, unfair competition and deceptive trade practices and false or fraudulent registration, the District Court has determined only the liability; the amount of damages therefor has been reserved for later determination. The order appealed from is interlocutory in nature, and we do not have jurisdiction under 28 U.S.C. §1291. *See Smith* v. *United States*, 332 F.2d 731, 732 (8th Cir. 1964); *Zwack* v. *Kraus Bros. & Co.*, 237 F.2d 255, 261 (2nd Cir. 1956); *Fidelity Trust Co.* v. *Board of Education*, 174 F.2d 642, 645 (7th Cir. 1949). Nevertheless, we do have jurisdiction, pursuant to 28 U.S.C. §1292(a)(1),[3] to examine the merits of that

[3] *See Wooten* v. *First National Bank of St. Paul, Minnesota*, 490 F.2d 1275, 1276 (8th Cir. 1974) (per curiam); *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, 461 F.2d 1040, 1041 (2nd Cir. 1972); *Hook* v. *Hook & Ackerman, Inc.*, 233 F.2d 180, 182 (3rd Cir. 1956).

28 U.S.C. §1292(a)(1) provides in relevant part:

> (a) The courts of appeals shall have jurisdiction of appeals from:
>
> (1) Interlocutory orders of the district courts of the United States * * * granting * * * injunctions * * * except where a direct review may be had in the Supreme Court; * * *

part of the order granting to the appellee a permanent injunction and ordering the cancellation of the appellant's registration. *See Smith* v. *Vulcan Iron Works*, 165 U.S. 518 (1897); *Abercrombie & Fitch Co.* v. *Hunting World, Inc.*, 461 F.2d 1040, 1042 (2nd Cir. 1972); *Zwack* v. *Kraus Bros. & Co.*, *supra* at 261-262.

II.

The appellant, Wrist-Rocket Manufacturing Company, Inc.,[4] is a Nebraska corporation and successor to Tru-Mark Manufacturing Company, which succeeded the proprietorship of Howard J. Ellenburg. The appellee, Saunders Archery Company, is also a Nebraska corporation and is successor to Saunders Archer-Target Company, a partnership of Charles and Phyllis Saunders, husband and wife. For purposes of clarity, the parties will be referred to as Ellenburg and Saunders, respectively.

Howard Ellenburg is the inventor of a wrist-braced slingshot that he initially marketed, through an Iowa sporting goods distributor, as "Howard's Wrist Locker Slingshot." This initial marketing arrangement was soon terminated by agreement of the parties, and Ellenburg thereafter entered into a distributorship agreement with Saunders, an established distributor of archery related sporting goods. This agreement, reduced to writing in July, 1954, gave Saunders the exclusive right to sell the slingshots manufactured by Ellenburg, with the latter retaining the right to make direct sales to customers, but not to dealers. The agreement was not strictly followed by either party, and it terminated by its own force in 1964. The agree-

[4] Pursuant to the order of the District Court, the appellant has changed its corporate name to Trumark Manufacturing Company.

ment, nevertheless, did form the basis of the parties' business relationship which continued until November, 1971, when it was terminated by Saunders. After the termination, Ellenburg revived his distributorship agreement with the Iowa company and continued to manufacture "Wrist Rocket" slingshots. Saunders also continued to market similar slingshots under the "Wrist Rocket" label after establishing his own manufacturing facility. This suit followed.

A.

Before the commencement of this suit, Ellenburg's right to use the trademark "Wrist Rocket" in interstate commerce had become incontestable pursuant to 15 U.S.C. §1065.[5] This incontestable status did not, however, aid the appellant in his infringement action against Saunders, and properly so. An incontestable registration does not confer upon the registrant rights not possessed at common law. It is not a sword. To prevail in the infringement action, Ellenburg had to establish his exclusive right to use the trademark independent of the registration. *See Morehouse Manufacturing Corp.* v. *J. Strictland And Co.*, 407 F.2d 881, 888 (C. C. P. A. 1969); *Tillamook County*

[5] The appellant applied for registration on September 14, 1964, and on May 4, 1965, the mark was published pursuant to 15 U.S.C. §1062. The appellee did not oppose the registration, and the trademark was thereafter registered to the appellant on July 20, 1965. The appellee claimed that he had no knowledge of the registration until 1971, shortly before the parties business relationship terminated. 15 U.S.C. §1072 provides that registration of a trademark on the principal register is constructive notice of the registrant's claim of ownership.

Neither party contends that the name "Wrist Rocket", as used in the sale of slingshots, is incapable of achieving trademark status.

Cream. Ass'n v. *Tillamook Cheese & D. Ass'n*, 345 F.2d 158, 160 (9th Cir.), *cert. denied*, 382 U.S. 903 (1965); 4 Callmann, Unfair Competition, Trademark, and Monopolies, §97.3(c)(1) at 599 (3rd Ed. 1970). The burden was upon Ellenburg to prove prior appropriation and use of the trademark in connection with his business. *See Sweetarts* v. *Sunline, Inc.*, 380 F.2d 923, 926 (8th Cir. 1967).

The appellant argues, as he did in the court below, that the business relationship of the parties is dispositive of the issue of exclusive right to use. Ellenburg characterizes the relationship as that of manufacturer and exclusive distributor and contends that all actions of Saunders taken to promote the sales of the slingshot inured to the former's benefit. Saunders rejects this characterization of the business relationship and contends that their agreement was merely a buy-sell arrangement.

The initial written agreement of the parties was silent as regards the ownership of the trademark "Wrist Rocket," for at the time of its formation, that mark had not been created. Both parties then referred to the slingshot as "Howard's Wrist Locker Slingshot." This is not then a case where a distributor appropriates to its own use an existing trademark of the manufacturer. The issue here is who, as between the manufacturer and distributor, has ownership of a trademark created after the formation of the business relationship. In this context, the relationship of the parties is clearly relevant, but the underlying and dispositive question remains: which party has priority of appropriation and use of the trademark in connection with his business. *See Atlas Beverage Co.* v. *Minneapolis Brewing Co.*, 113 F.2d 672, 674-675 (8th Cir. 1940); 3 Callmann, *supra* §68.2 at 72-74.

We conclude that the appellee had a common law right to use the trademark, but that the right was not exclusive. We base our holding that Saunders had a common law right of use on the following findings of the District Court, none of which are clearly erroneous:

1. Saunders was the first to use the trademark "Wrist Rocket" on slingshots sold by him. Prior to 1955, when Ellenburg was selling slingshots under the name "Howard's Wrist Locker Slingshots," Saunders affixed tags to the slingshots that carried his house mark "Saunders" along with the trademark "Wrist Rocket."

2. Saunders was the party with whom the public identified the slingshot, and was the party to whom the public looked for satisfaction when the slingshot proved defective.

3. Throughout the business relationship of the parties, with the exception of approximately one year, the name "Saunders" appeared with the trademark "Wrist Rocket" with no mention of the manufacturer, Ellenburg.

4. Most of the technical changes in the manufacture of the slingshot were made at Saunders' direction. Saunders attempted to control the quality and appearance of the slingshots that were being identified with his archery business.

5. While Ellenburg made sales both directly and by mail, all reorders were directed to Saunders.

The common law right to use the trademark was in the distributor, Saunders.

> "The use of a trademark * * * does not necessarily and as a matter of law impart that the articles on which it is used are manufactured by the user. It

> is enough that they are manufactured for him, that he controls their production, or that they pass through his hands in the course of trade and that he gives to them the benefit of his reputation or of his name and business style."

Electronic Com'ns, Inc. v. *Electronic Components For Ind. Co.*, 443 F.2d 487, 492 (8th Cir.), *cert. denied*, 404 U.S. 833 (1971), quoting from *Victor Tool & Machine Corp.* v. *Sun Control Awnings, Inc.*, 299 F.Supp. 868, 874 (E.D. Mich. 1968), *aff'd*, 411 F.2d 792 (6th Cir. 1969). *See Menendez* v. *Holt*, 128 U.S. 514, 520 (1888); *Atlas Beverage Co.* v. *Minneapolis Brewing Co., supra* at 678.[6]

B.

The District Court, after holding that the common law right to use the trademark "Wrist Rocket" was in Saunders, ordered the Commissioner of Patents to cancel Ellenburg's registration, and enjoined Ellenburg from further use of the mark. It acted on the basis of Saunders' common law rights and pursuant to 15 U.S.C. §1065, which states that a registration shall become incontestable after five years of continuous use:

> * * * [E]xcept to the extent, if any to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this chapter of such registered mark * * *.

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[6] The appellant raises for the first time on appeal the issue of abandonment of the trademark by the appellee. Absent unusual circumstances, issues not tried below will not afford the basis for reversal. *See Motor Carriers Coun. Of St. Louis, Inc.* v. *Local U. No. 600*, 486 F.2d 650, 654 (8th Cir. 1973). We perceive no unusual circumstances here.

By so applying 15 U.S.C. §1065, the District Court rendered meaningless the protection against perpetual attack on a registered trademark that 15 U.S.C. §1115(b) was meant to provide.[7] This was error.

Saunders' common law right to use the trademark cannot destroy the incontestable status of Ellenburg's registration. Section 1065 makes clear that incontestability pursuant to 15 U.S.C. §1115(b) is not a sword that broadens the rights of the registrant beyond those at common law. Incontestability is, however, a shield that protects the registrant from cancellation of his trademark by a prior user claiming superior rights. *Tillamook County Cream. Ass'n* v. *Tillamook Cheese & D. Ass'n, supra* at 163 (dictum); *John Morrell & Co.* v. *Reliable Packing Co.,* 295 F.2d 314, 316 (7th Cir. 1961); *Schwinn Bicycle Co.* v. *Murray Ohio Manufacturing Co.,* 339 F.Supp. 973, 982 (M.D. Tenn. 1971), *aff'd per curiam,* 470 F.2d 975 (6th Cir. 1972); *Haviland & Co.* v. *Johann Haviland China Corporation,* 269 F.Supp. 928, 954, 955 (S.D. N.Y. 1967); 4 Callmann, *supra* §97.3(c)(1) at 599. *See Travelodge Corporation* v. *Siragusa,* 228 F.Supp. 238, 242 (N.D. Ala. 1964), *aff'd per curiam,* 352 F.2d 516 (5th

[7] 15 U.S.C. §1115(b) states:

> If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:
>
> (1) That the registration or the incontestable right to use the mark was obtained fraudulently; * * *

Six additional defenses or defects are listed, none of which are relevant here.

Cir. 1965). An incontestable registration is the exception to the rule that conclusive vested rights are not conferred by registration. 4 Callmann, *supra* §97.3(a) at 587.

Saunders argues, however, another basis for the District Court's power to cancel Ellenburg's registration. He contends that since the registration was procured by false statements, the District Court could right the wrong pursuant to 15 U.S.C. §1119.[8] The appellee asks us to accord that section a construction that vitiates the specifically enumerated defenses or defects of 15 U.S.C. §1115(b). That latter section specifically provides that once a registered mark has become incontestable pursuant to 15 U.S.C. §1065, it shall be conclusive evidence of the registrant's right to use except when "the registration or the incontestable right to use the mark was obtained fraudulently."[9] This specific language limits the power of the District Court pursuant to 15 U.S.C. §1119.[10] *See John R. Thompson Co.* v. *Holloway,* 366 F.2d 108, 113 (5th Cir. 1966); *Rand McNally & Co.* v. *Christmas Club,* 105 U.S.P.Q. 499,

[8] 15 U.S.C. §1119 states:

> In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby.

[9] *See* note 7, *supra.*

[10] Compare the specific language employed in 15 U.S.C. §1115(b), *see* note 7, *supra,* with the general language employed in 15 U.S.C. §1115(a), which provides that a registered mark, not incontestable, shall be accorded prima facie evidentiary weight subject to "any legal or equitable defense or defect which might have been asserted if such mark had not been registered."

500-501 (1955), *aff'd,* 242 F.2d 776 (C.C.P.A. 1957); 3 Callmann, *supra* §86.1(b) at 1065. Here, the District Court found that the statements of the appellant, although false, were not made with the intent to defraud. This finding is not clearly erroneous. The cancellation of Ellenburg's registration was error. *See Allen Homes, Inc.* v. *Jack H. Weersing and Elk River Homes, Inc.,* Nos. 74-1325 and 74-1353 (8th Cir. February 7, 1975) at Slip Op. 5, *petition for cert. filed,* 43 U.S.L.W. 3540 (U.S. April 8, 1975) (No. 74-1218); *Blue Bell, Inc.* v. *Jaymar-Ruby, Inc.,* 497 F.2d 433, 438 n. 13 (2nd Cir. 1974).

III.

The appeal, as disposed, recognizes and gives effect to Ellenburg's statutory rights, none of the defenses or defects of 15 U.S.C. §1115(b) having been proven, and to Saunders' common law rights, which are not destroyed by the appellant's incontestable registration. Both are entitled to use the trademark "Wrist Rocket" in the sale of wrist-braced slingshots.[11] Since Ellenburg's use of the

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[11] *See Alfred Dunhill Of London* v. *Dunhill Tailored Clothes,* 293 F.2d 685 (C.C.P.A. 1961), *cert. denied,* 369 U.S. 864 (1962); *Haviland Co.* v. *Johann Haviland China Corporation,* 269 F.Supp. 928 (S.D. N.Y. 1967).

Saunders' common law right to use the mark extends to those market areas where he had established prior use before the publication of Ellenburg's registration. *See Mister Donut of America, Inc.* v. *Mr. Donut, Inc.,* 418 F.2d 838 (9th Cir. 1969); *Sweetarts* v. *Sunline, Inc.,* 380 F.2d 923, 928 (8th Cir. 1967); *Dawn Donut Company* v. *Hart's Food Stores, Inc.,* 267 F.2d 358, 365 (2nd Cir. 1959); 15 U.S.C. §§1065 and 1072. If the parties disagree over the limits of Saunders' market, the same shall be determined by the District Court on remand.

mark is lawful, the District Court was clearly correct in denying Saunders attorneys' fees and costs in his action for unfair competition and deceptive trade practice.[12]

This concurrent use of the mark, while equitable between the parties, does raise the real possibility of purchaser confusion as to the source of origin of the slingshots bearing the "Wrist Rocket" mark. *See David Sherman Corporation* v. *Heublein, Inc.,* 340 F.2d 377 (8th Cir. 1965). We believe this prospective confusion can be obviated, as a matter of law, by requiring each party to use the trademark only in conjunction with a prefix of equal prominence that identifies the source of origin. On remand, the District Court shall determine that the prefixes chosen by the parties serve this purpose.[13]

The order of the District Court is affirmed in part, reversed in part, and remanded for further proceedings, consistent with this opinion.

Each party shall bear his own costs.

A true copy.

Attest:

Clerk, U. S. Court of Appeals, Eighth Circuit.

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[12] Neb. R.R.S. §87-303(b) provides:

> Costs shall be allowed to the prevailing party unless the court otherwise directs. The court in its discretion may award attorneys' fees to the prevailing party if (1) the party complaining of a deceptive trade practice has brought an action which he knew to be groundless or (2) the party charged with a deceptive trade practice has willfully engaged in the trade practice knowing it to be deceptive.

[13] *See P. Daussa Corp* v. *Sutton Cosmetics (P.R.) Inc.,* 462 F.2d 134, 136 (2nd Cir. 1972).

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

74-1664 September Term, 1974
Wrist-Rocket Manufacturing Co., Inc.,
Appellee,

vs.

Saunders Archery Co., etc.,
Appellant.

74-1728
Wrist-Rocket Manufacturing Co., Inc.,
Appellant,

vs.

Saunders Archery Co., etc.,
Appellee.

Appeals from the United States District Court for
the District of Nebraska

Petition of appellant-appellee, Saunders Archery Company, for rehearing filed in this cause having been considered, it is now here ordered by this Court that the same be, and it is hereby, denied.

June 9, 1975

APPENDIX C

WRIST-ROCKET MANUFACTURING
COMPANY, INC., Plaintiff,
vs.
Charles SAUNDERS, d/b/a Saunders
Archery Co., Defendant
Civ. No. 72-0-120.
United States District Court,
D. Nebraska.
May 30, 1974.
As Amended Aug. 2, 1974.

William G. Campbell, Kutak, Rock, Cohen, Campbell, Garfinkle & Woodward, Omaha, Neb., for plaintiff.

Esther O. Kegan, Kegan, Kegan & Berkman, Chicago, Ill., George R. Nimmer, Omaha, Neb., for defendant.

MEMORANDUM OPINION

SCHATZ, District Judge.:

This case was tried to the Court without a jury. Plaintiff, Wrist-Rocket Manufacturing Co., Inc., is a Nebraska corporation with its principal place of business in Columbus, Nebraska. Plaintiff is successor of the Tru-Mark Manufacturing Company which in turn succeeded the proprietorship of one Howard F. Ellenburg. Defendant, Saunders Archery Company, is a Nebraska corporation also having its principal place of business in Columbus, Nebraska. Defendant is the successor to Saunders Archery-Target Co., a co-partnership of Charles Saunders and his wife, Phyllis Saunders. This Court has jurisdiction over the parties and subject matter of these actions under 28 U.S.C. § 1338, 2201, and 15 U.S.C. § 1119, 1121.

In the winter of 1954, Howard Ellenburg (hereinafter referred to as Ellenburg) approached Charles Saunders

(hereinafter referred to as Saunders) regarding the latter's interest in marketing an arm-braced slingshot device which Ellenburg had recently invented and which, at that time, he was marketing through a sporting goods distributor based in Sioux City, Iowa, under the name "Howard's Wrist Locker Slingshot." Saunders, being an experienced dealer in marketing and manufacturing archery-related equipment indicated interest in the marketing of the device, and shortly after their meeting, Ellenburg terminated his relationship with the Iowa firm.

An agreement was then entered into and from late summer of 1954 to the early fall of 1971, these individuals and their respective successor-companies, successfully maintained the manufacture and marketing of these devices under the name "Wrist Rocket," Ellenburg manufacturing and packaging these devices in Columbus, Nebraska, and delivering them to Saunders' place of business (also in Columbus) where the latter shipped them on order to various archery dealers and jobbers throughout Nebraska and the United States. In 1965, Ellenburg registered the trademark "Wrist Rocket" in the United States Patent Office in his name doing business as Tru-Mark Manufacturing Company. The particular facts surrounding the business arrangement of these individuals will be noted in more detail throughout this opinion, but suffice it at this point to say that the relationship continued, generally unaltered, for the seventeen-year period following their initial meeting and agreement. In October, 1971, after attempts at negotiations over price and costs of the device to Saunders, the latter company informed Ellenburg that it was terminating their long-standing relationship in thirty days, which it did in November of 1971. Subsequent to this parting of the way, plaintiff revived his relationship with the Iowa sporting goods distributor and continued to manufacture the device and distribute it through that dealer

under the name "Wrist Rocket." On January 25, 1972 (after the filing of the complaint herein), Ellenburg's successor company, Tru-Mark Manufacturing Company, amended its articles and changed its name to Wrist Rocket Manufacturing Co., Inc. Saunders Archery Company, after this arrangement was dissolved by it, also began to manufacture a similar device and to market it under the same name, "Wrist Rocket."

The plaintiff, Wrist Rocket Manufacturing Co., the successor to the manufacturing concern initially started by Ellenburg (hereinafter referred to simply as Ellenburg for purposes of clarity) then filed this action for infringement of the federally registered trademark "Wrist Rocket," and for breach of fiduciary duty between its predecessor and the defendant. Defendant has counterclaimed seeking declaratory relief as to the exclusive right to the use of the trademark "Wrist Rocket;" for damages for unfair competition and deceptive trade practice under Nebraska Deceptive Trade Practices Act, Neb.R.R.S. 1943, Sections 87-301 et seq.; and for damages under 15 U.S.C. § 1120 for alleged fraudulent and false statements made by Ellenburg in his application to the United States Patent Office for the trademark registered herein.

There is no contention on the part of defendants that if the plaintiff has the exclusive right to the mark, defendant is not infringing upon it. The question relevant to the determination of the issue of infringement is whether plaintiff has such a right.

[1] In order for Ellenburg to succeed in his assertion of trademark infringement, he must, of course, establish his exclusive right to use the mark here in issue. Tillamook County Creamery Ass'n. v. Tillamook Cheese & Dairy Ass'n., 345 F.2d 158, 160 (9th Cir.), cert. denied, 382 U.S. 903, 86 S.Ct. 239, 15 L.Ed. 157 (1965); Perry v. American Hecolite Denture Corp., 78 F.2d 556, 558 (8th Cir. 1935) (Woodrough, J.).

The trademark "Wrist Rocket," Registration No. 792,-882, was issued on July 20, 1965, in the name of Howard Ellenburg, d/b/a Tru-Mark Manufacturing Company. Ellenburg made application for this registration on September 14, 1964. On May 4, 1965, the mark was published pursuant to Section 12(a) of the Trademark Act of 1946, 15 U.S.C. § 1062, for purposes of allowing those opposing said registration to file an opposition. Defendant filed no such opposition and the mark was, therefore, registered in July of 1965. On November 5, 1970, Ellenburg's declaration of use, filed pursuant to Section 8 of the Act, 15 U.S.C. § 1058, was accepted and on October 8, 1971, an affidavit of incontestability was filed under Section 15 of the Act, 15 U.S.C. § 1065. In December, 1971, a written assignment of the trademark rights was made from Howard Ellenburg, d/b/a Tru-Mark Manufacturing Company, to Tru-Mark Manufacturing Corporation, the latter being the predecessor to the plaintiff now before the Court, Wrist-Rocket Manufacturing Co., Inc.

[2-4] Plaintiff's registration of the mark "Wrist-Rocket" is prima facie evidence of its exclusive right to use the registered mark in commerce on the slingshots. 15 U.S.C. §§ 1057(b), 1115(a); Phillip Morris, Inc. v. Imperial Tobacco Co., 251 F.Supp. 362, 378-379 (E.D.Va. 1965), aff'd, 401 F.2d 179 (4th Cir. 1968), cert. denied, 393 U.S. 1094, 89 S.Ct. 875, 21 L.Ed.2d 784 (1969). This prima facie case does not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted in the absence of registration, 15 U.S.C. § 1115; it merely shifts the burden of doing so. Persha v. Armour & Co., 239 F.2d 628, 630 (5th Cir. 1957). Furthermore, although plaintiff does hold an affidavit of incontestability issued under 15 U.S.C. § 1065, such an affidavit is not deemed an offensive weapon to aid in plaintiff's infringement action. John Morrell & Co. v. Reliable Packing Co.,

295 F.2d 314, 316 (7th Cir. 1961); Tillamook County Creamery Ass'n v. Tillamook Cheese & Dairy Ass'n, *supra*, 345 F.2d at 163. The registration, except for the rebuttable presumption that it creates, clearly does not create rights to a trademark if they did not exist prior thereto. The case of Ungles-Hoggette Mfg. Co. v. Farmers' Hog & Cattle Powder Co., 232 F. 116, 119 (8th Cir. 1916), succinctly states the rule:

> If there be no valid common-law trademark by the appropriation and use of a word or symbol that indicates origin or ownership, as distinguished from describing the article manufactured or sold, the bare fact of registration cannot make it so. Registration is only prima facie evidence of ownership. If that presumption is overcome by the facts in a given case, then registration is of no avail. (Citations omitted.)

See also, Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F.Supp. 973, 979 (M.D.Tenn. 1971), aff'd, 470 F.2d 975 (6th Cir. 1972). *See generally,* 4 Callman, Unfair Competition, Trademarks and Monopolies, Sec. 97.3(a) at 582, et seq., (3d Ed. 1970). Hence, plaintiff's infringement action depends on more than its registration and a right to the trademark must be found in the plaintiff before an infringement action can be maintained.

One obtains rights to a trademark under the common law, through a number of well-recognized avenues of procedure. To start with, a trademark is defined in the Trademark Act of 1946 as:

* * * * * *

> . . . any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those mnaufactured or sold by others. 15 U.S.C. § 1127.

Neither party contends that the name, "Wrist Rocket," as affixed to the slingshot device herein involved is not, or

was not subject to achieving trademark status. The function of a trademark and the means by which one entity gains the exclusive right over another to affix it to certain goods is set forth in United Drug Co. v. Rectanus Co., 248 U.S. 90, 97, 100, 39 S.Ct. 48, 50, 63 L.Ed. 141 (1918):

> The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; it is not the subject of property except in connection with an existing business. (Citations omitted.)
>
> Undoubtedly, the general rule is that, as between conflicting claimants to the right to use the same mark, priority of appropriation determines the question. * * * (T)he reason is that purchasers have come to understand the mark as indicating the origin of the wares, so that its use by a second producer amounts to an attempt to sell his goods as those of his competitor. (Citations omitted.)

See also Digicom, Inc. v. Digicon, Inc., 328 F.Supp. 631, 634 (S.D.Tex. 1971). Stated in yet another way:

> Where a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so would in effect represent their goods to be of his production and would tend to deprive him of the profit he might make through the sale of the goods which the purchaser intended to buy. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412, 36 S.Ct. 357, 360, 60 L.Ed. 713 (1916).

[5-7] Thus, the policy of trademark protection revolves around protection of the owner's good will developed by him in his efforts to sell the goods to the public. The public identification of the mark in relation to the goods is of

clear consequence to the owner of the mark. Trademark law is, therefore, not only designed to protect the public against false and deceptively marked goods, but also to secure to the owner the good will of his business. Esso, Inc. v. Standard Oil Company, 98 F.2d 1, 5 (8th Cir. 1938). Priority of appropriation or priority of adoption *and* use are the most commonly accepted guideposts in determining the ownership of a particular trademark.[1] 3 Callmann, *supra,* Section 76.1 at 272-278 (3d Ed. 1969). The "use" of a trademark on goods is the placing of the mark "on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto . . . ." 15 U.S.C. § 1127. Although registration under the Trademark Act requires "use" generally in interstate commerce a mark is clearly obtainable under the common law principles notwithstanding its intrastate nature.

[8] In regard to the determination of whether one person has ownership over the use of a mark in bar to another, the priority of use stands as a guiding light. This priority, however, is a relative concept rather than one necessitating proof of absolute priority such as that required of an inventor seeking a patent. 3 Callmann, *supra,* Section 76.2(c) at 284-285; Jacoway v. Young, 228 F. 630, 633 (8th Cir. 1915). In other words, it cannot be looked upon totally as what Callmann refers to as a "calendar concept."

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[1] The equitable doctrines of laches, estoppel and abandonment also obtain in the consideration of which of competing parties have rights to a trademark. *See, e.g.,* Hanover Star Milling Co. v. Metcalf, *supra,* 240 U.S. at 418-419; 15 U.S.C. § 1127 (defining "abandonment"). *See also* 3 Callmann, *supra,* Sections 79.1 to 79.4 at 514, et seq. However, from the argument and briefs of counsel herein, neither party attempts to assert those doctrines.

Most cases involving colliding trademarks cannot be resolved on the basis of priority alone. . . . The greater the effort devoted to creating an intangible value, the more safely can its originator rely upon the element of priority. If the right is based upon an inventive idea or on artistic or literary creation, priority would be determined by an independent criterion. Instances are patent and copyright, which are subject to the priority concept in the sense of a calendar date. In the law of trademarks, however, where popularization and advertising values are far more significant than the idea on which the intangible value is bottomed, priority is similarly determinative, but not in its calendar sense; it is a principle based upon the equities involved. Although adherence to the principle of priority has the advantage of temporal consistency, if it is applied as a dispositive test to resolve the trademark conflict, it might often result in injustice. (Footnotes omitted.)

3 Callmann, *supra,* Section 76.3(a) at 301-302. *See also* Chandon Champagne Corp. v. San Marine Wine Corp., 335 F.2d 531, 534 (2d Cir. 1964) (Friendly, J.).

RIGHTS IN THE TRADEMARK "WRIST ROCKET"

Plaintiff agrees that it cannot rest entirely on its registration as proof of its ownership of the mark. It contends, however, that pursuant to the terms of the agreement which the parties entered into in July of 1954, the Saunders company was merely plaintiff's exclusive distributor for marketing of the device and, therefore, under a line of authority represented by such cases as United States Ozone Co. v. United States Ozone Co. of America, 62 F.2d 881, 886 (7th Cir. 1932) and Shaver v. Heller and Merz Co., 108 F. 821, 824 (8th Cir. 1901), the defendant did not acquire any rights to the trademark during the term of the agreement.

Defendant disputes the characterization of the relationship that existed as being one of exclusive distributor and contends rather that it was merely one of buyer and seller and that Saunders invented the name and controlled the use of the trademark on the slingshot which was manufactured according to its specifications and recommendations by Ellenburg. Defendant contends that it is the company with which the public associates the name "Wrist Rocket" and further contends that it controlled the quality and price of the slingshots throughout the years, and was responsible for any liability caused because of the device and for replacement of defective parts thereof. In addition to the defendant's obvious concern with plaintiff's contention that the business relationship was one of exclusive distributor, the defendant contends that it was the first or prior user because it was the first to affix a tag on the device and the one who initiated the design of the first point of sale box utilized for sale of the device.

[9] Plaintiff's alleged right to this trademark "Wrist Rocket," as stated above, is based on his contention that an exclusive distributorship relationship existed and, therefore, the actions of the defendant Saunders in using the name "Wrist Rocket" cannot be used as the basis for arguing that the trademark was adopted by defendant because his actions were all taken to promote the slingshot, as required by the exclusive distributorship relationship. (Plaintiff's post-trial brief, page 2.) Thus the plaintiff seems to contend that upon a finding of an exclusive distributorship relationship, trademark law requires that there be a finding that the plaintiff has the exclusive right to the trademark. The cases it cites for such authority are: Shaver v. Heller & Merz Co., *supra,* 108 F. 821;

Omag Optik Und Mechanik A. G. v. Weinstein, 85 F.Supp. 631 (S.D.N.Y.1949); Stratton and Terstegge Co. v. Stiglitz Furnace Co., 258 Ky. 678, 81 S.W.2d 1 (1935); United States Ozone Co. v. United States Ozone Co., *supra,* 62 F.2d 881. In all the aforementioned cases the determining rule of trademark law was that when the owner of a trademark enters into a relationship with a distributor or other agents so the latter may use the trademark on goods, the person to whom such license to use is granted (oftentimes an exclusive distributor or sales agent) acquires no right to exclusive use of the mark in the absence of inequitable conduct. In those cases, the Court first found the manufacturing party to be the original owner of the mark. At that point the courts looked at the relationship between the parties as per the agreement involved, and determined that since it was only a grant of license to use the mark, the distributor's or agent's rights to the mark terminated when the agreement terminated. The relationships involved were usually that of exclusive distributorship, but the court's opinion did not specifically turn on that finding. It turned on the principle that an owner does not lose rights to trademarks because he allows someone else to use them, unless he is deemed to have abandoned them or is estopped by laches from asserting a right to them. The cases offer little help in determining who the *initial* owner of a mark is except for enunciating the general rules which are previously set forth.

Atlas Beverage Co. v. Minneapolis Brewing Co., 113 F.2d 672 (8th Cir. 1940) was a case very similar to the present one insofar as the issue presented is concerned. It involved a beer manufacturer and a distributor who had entered into an exclusive agreement whereby the latter

would distribute "Grain Belt" beer for the former. That brand did not sell, and while the agreement was in effect, the name "White Seal" was invented and applied to the beer. The Court stated the issue before it as one of determining the ownership to the rights of the trademark "White Seal" which it stated depended on the facts of the arrangement between the brewing company and the distributor when the mark was adopted for use on the label to be put upon the bottles used to contain the beer. There, as here, there was no agreement as to the use of the mark. Here, as in *Atlas,* the Court is not faced with the question of whether an admitted prior user has abandoned trademark rights to his distributor, but rather with the question as to who the initial owner was. This distinction was recognized in the case of Distillers Brands v. American Distilling Co., 26 F.Supp. 988, 989 (S.D.N.Y.1938). In that case the distributor of whiskey had the bottler of the whiskey prepare a label to put on the bottles before delivering them to the distributor. The label said "bottled for" the distributing company and made no mention of the bottler. The court found that since the bottler was anonymous and the public associated the mark with the distributor, the latter was the owner of the mark and distinguished the *Shaver* case, herein cited by the plaintiff on the ground that in those cases the trademark had been used by the manufacturer *before* the business relationship developed. *See also* E. F. Prichard Co. v. Consumers Brewing Co., 136 F.2d 512, 519 (6th Cir.), cert. denied, 321 U.S. 763, 64 S.Ct. 486, 88 L.Ed. 1060 (1943). That distinguishing factor is equally applicable here.

[10] The resolution of who has the right to the mark in this case does not turn on whether the defendant was

an exclusive distributor for plaintiff.[2] The law recognizes that a distributor of products may acquire trademark rights over those of the manufacturer if the facts support a finding that they are "'. . . manufactured for him, that he controls their production, or that they pass through his hands in the course of trade and that he gives to them the benefit of his reputation or of his name and business style.'" Electronic Communications, Inc. v. Electronic Components for Industry Co., 443 F.2d 487, 492 (8th Cir.), cert. denied, 404 U.S. 833, 92 S.Ct. 80, 30 L.Ed.2d 63 (1971). *See also* Menendez v. Holt, 128 U.S. 514, 9 S.Ct. 143, 32 L.Ed. 526 (1888).

Since the agreement of July, 1954, contained nothing about the use of the trademark, and since it was not even in existence at that time, the general principles applicable to the finding of rights to a trademark must be considered in light of the relevant facts.

Ellenburg contacted Saunders in January or February of 1954 for purposes of a market for the slingshot which plaintiff was then manufacturing in his basement for sale to a sporting goods dealer in Iowa. Saunders showed some interest at that time but indicated that the appearance of the slingshot would have to be changed, as well as its name, before the item would be handled by him. Saunders also encouraged plaintiff to terminate the arrangement with the

[2] Plaintiff might have contended that since Saunders was its agent, all the fruits of that agency accrued to plaintiff's benefit. However, the facts would not have supported this conclusion. The relationship of the parties will be discussed in greater detail when considering the fiduciary duty issues, *infra*. Suffice it to say at this point that certainly no pure agency relationship existed and whatever the terms involved, no mention was made regarding the use of the trademark in question in the July, 1954, agreement.

Iowa concern which plaintiff proceeded to do for a nominal sum. Saunders then sold a few of the items to retailers within the community under the name "Howard's Wrist-Locker Slingshot," which was the name plaintiff had been selling them under prior to contacting Saunders. At this time, Ellenburg was a "handyman" who had no experience in the marketing of manufactured goods. Saunders had been operating in Columbus, Nebraska, since 1941 as a manufacturer and distributor of archery target mats, faces and stands. Saunders invented the name "Wrist Rocket" sometime in the summer of 1954 to replace that of "Howard's Wrist-Locker Slingshot."

The evidence discloses that Ellenburg sold no slingshots under the name "Wrist Rocket" after the name was developed by Saunders and before the first group was delivered to Saunders Archery Target Company in the late summer of 1954. Ellenburg had applied "Howard's Wrist-Locker" labels to the device within the local community prior to that time and did not put "Wrist Rocket" labels on the device until 1955 after the parties started doing business. Prior to that, in the fall of 1954, Saunders affixed tags to the first shipments at his own place of business, which tags carried his house mark "Saunders" along with the trademark "Wrist Rocket." In the early part of 1955 the point of sale boxes, designed by one of defendant's agencies in the fall of 1954, were used. Plaintiff's Exhibit 15 (P-15) exemplifies the type of carton first used. At this same time, Ellenburg ordered and directly paid for a pressure sensitive label bearing the mark which was applied to the then opaque handle of the slingshot—this label also carried Saunders' name with no mention of plaintiff. This label was exchanged in 1956 for a slip of paper bearing a like inscription to be inserted inside of a transparent handle which replaced the opaque one.

As alluded to previously, defendant initially contacted the advertising agencies regarding the design of the point of sale boxes[3] used and continued to do so with one possible exception, and made all decisions relative thereto, and paid for the costs of same. This cost was eventually passed on to the plaintiff through deductions from the total amount owed by defendant for the slingshots, but plaintiff exercised little, if any, control in their design. P-15, one of the first boxes used for individual packaging of the slingshots, made no mention of Ellenburg's company. A later point of sale box, P-18, used somewhere between 1964-68, was designed and printed with the following: "Saunders Super Power WRIST-ROCKET" in large letters. It indicated in smaller printing that it was "manufactured by Saunders Archery Company." P-17, used for approximately one year, around 1966-68, was a hotly disputed piece of evidence. It was virtually the same design as P-18. The only dissimilarity of import here was the fact that the small print said "manufactured for" the defendant "by TRU-MARK MANUFACTURING COMPANY," the successor to Ellenburg's original business. On both P-18 and P-17 there is depicted on the end flaps a proposed target for the slingshot and the proper method for placing the projectile in the leather pouch. Both of these were developed and designed by Ellenburg (P-38). P-19, initially used in 1968-69, was the carton

[3] Point of sale boxes, as differentiated from shipping cartons, are boxes in which an individual item is packaged for sale by the retailer to the customer. They generally contain the name of the item and other designs or marks to make the item marketable to the public. Shipping cartons are generally just a brown cardboard carton into which a number of the point of sale boxes are packaged and by which the items are shipped to their destination.

used until the termination of the relationship. It carried no mention of plaintiff, but again included the name Saunders along with the mark.

Saunders attempted to register the mark in March of 1955, but was advised that it was not capable of being registered. He dropped the matter and no further attempts were made to register the mark until Ellenburg's registration was granted in July, 1965.[4] None of the cartons referred to above contained a legend of registration, and Saunders claims he had no knowledge of the registration until 1971, shortly before the business relationship ended. Saunders claims that plaintiff never requested him to put the registration legend on the slingshot point of sale boxes nor otherwise advised him that the mark was registered. Plaintiff had used the (R) legend in advertising in magazines in 1968 and had placed it on the replacement rubber boxes in 1967-68. Plaintiff procured, printed and paid for these replacement rubber boxes and envelopes all during this time. Plaintiff's name appeared on none.

[4] Plaintiff had attempted to patent the slingshot prior to the parties' starting business together in 1954, and in fact Saunders was under the impression it was patentable at the time the agreement was signed. However, the Gauthier patent was registered a few months prior to plaintiff's application and plaintiff's application was, therefore, denied. After attempting to gain advice from his attorney about the ramifications of plaintiff's manufacturing the slingshot, defendant dropped the matter and an indemnity agreement was executed in October, 1955. In 1965 Saunders sought and obtained an assignment of the Gauthier patent. This patent expired shortly before the termination of the parties' relationship and, in fact, the increased competition was a major factor in the break-up.

Throughout the duration of the relationship Saunders also sold two other devices under the name "Wrist Rocket." They were a slingbow, a slingshot device somewhat similar to the slingshot which shot arrows, and a target for the slingshot. Saunders was issued a patent on the slingbow.

All complaints for defects in the products were made to Saunders, who in turn replaced the slingshot or corrected the defect. Saunders would deduct those costs from the total amount due Ellenburg on his deliveries. The evidence shows that Saunders also procured a policy of products liability insurance to cover his liability on the slingshots. Ellenburg contributed to the premiums at certain points during the relationship.

Saunders' first catalog to carry the "Wrist Rocket" slingshot was mailed to jobbers and dealers around January to March of 1955. In it no mention was made of plaintiff as manufacturer of the item. (D-1, Cat. 15). Accompanying the advertising was the inscription: "Another First by SAUNDERS ARCHERY TARGET CO., Columbus, Neb." and underneath that, "Distributed by."[5] Catalogs containing similar advertisements were prepared by Saunders' ad agencies and directly paid for by him

[5] Plaintiff contends that this inscription "Distributed by" refers to Saunders. It is unclear whether Ellenburg asserts that as evidence that the public did not identify the origin of the slingshot with Saunders for purposes of showing Saunders did not acquire rights to the mark herein, or as evidence of the relationship of the parties. In either event, the evidence shows that Saunders placed this inscription under his name even as to items which he designed and prepared (D-1, Cat. 16—slingshot target) and defendant's explanation that the inscription was a preface for the inclusion of a dealer's name following it is a credible one.

throughout the seventeen years herein involved. Prior to 1954 some ten to twenty thousand catalogs were mailed, and by 1971 the amount had increased to some fifty thousand volumes. Some of the depictions used in the catalogs were prepared from Ellenburg. Ellenburg was never contacted about the frequency or manner of advertising used by Saunders. In addition to the catalogs, trade journals, statement "stuffers" and other mailings to dealers throughout the seventeen years, Saunders in 1955 had copyrighted an instruction booklet to show how the slingshot should be used. The booklet was placed in the boxes along with the slingshot. Ellenburg claims the two collaborated on it and that he was not aware that defendant had copyrighted it. This is disputed, but in either event, it was only used for a very short period of time at the outset of the relationship and was replaced by simple instructions printed on the point of sale boxes. In addition to the aforementioned advertising, Saunders also attempted to gain public acceptance of the slingshot by writing articles in various sporting goods magazines, in trying to develop interest in slingshot clubs, and through the use of movies which demonstrated the use of the slingshot.

The advertising costs expended by Saunders were not separately accounted for. However, he paid for the costs of developing the design on the point of sale boxes and for the printing thereof. These costs were eventually passed on to the plaintiff by a deduction from the amount owed on the slingshots delivered. Plaintiff paid defendant directly for any boxes used by plaintiff for his own shipments to customers.

The dates of plaintiff's first advertisement are not clear. The possible dates include anywhere from 1954 to 1956 as the starting point. In 1956-57, plaintiff advertised in

magazines with little success. He resumed advertising in 1966 or 1967 (after he had registered the mark) in nationally recognized publications such as Outdoor Life, Field and Stream, and Popular Mechanics, and spent some $1,500 to $1,700 a month for advertising purposes. Plaintiff paid for all of this advertising and defendant did not participate therein except at the very beginning. The evidence shows that plaintiff's sales to defendant and through mail order gradually increased from 1965 until termination.

Ellenburg's son, Steve Ellenburg, who is presently vice president of the business and has been connected with the business from its inception, as early as 1961 made trips to a resort in Colorado to demonstrate the slingshot. From 1962-64, the two Ellenburgs took summer "dealer" trips to advertise and sell the slingshots on a person-to-person basis. All of the boxes used at this time had Saunders' name on them and all reorders were directed to defendant.

Plaintiff sold the "Wrist Rocket" slingshots on a mail order basis throughout the period involved. This included sales to jobbers and dealers until 1968. These sales were made in boxes carrying the mark along with Saunders' name and all re-orders were directed to Saunders.

As noted previously, a number of changes occurred in the slingshot from the time plaintiff and defendant first met. Plaintiff had experimented with the aluminum tubing frame prior to the agreement in July of 1954. However, the other changes occurred thereafter: thicker rubber padding on the frame, late fall of 1954; change in handle, 1956; method of attaching the surgical tubing to the prongs of the slingshot, 1955-56; method of attaching the leather pouch to the surgical tubing, 1956-57. The evidence is unclear as to which of the individuals instigated these changes. Ellenburg did not start experimenting with aluminum until May of 1954, after the meeting with Saunders. The thickness of the rubber padding was changed at defendant's suggestion although plaintiff undertook arrangements to procure it. No evidence was adduced as to who prompted the change to a transparent handle. Ellenburg claims the method of attaching the surgical tubing to the leather pouch by small clothespin-like objects was developed while he and defendant were traveling in a car to Omaha. The use of soap to slip the tubing over the prongs was changed as a result of the deterioration of the tubing which was brought to defendant's attention and defendant apparently required plaintiff to develop another means as customer complaints were becoming plentiful. A fair inference to be drawn from the times that these changes were made is that they were, for the most part, at defendant's direction. Saunders was attempting to control the quality and appearance of the slingshots that were being sold by, and identified with his archery business.

[11-14] From the evidence before it, the Court concludes that the right to the trademark "Wrist Rocket" is not exclusively in Ellenburg. Even though Ellenburg and his successor manufactured these devices, they did so under the direct supervision of Saunders. Saunders, through his ad agency, invented the mark in question. The invention of a mark is, for the most part, an inappropriate consideration in determining who has the exclusive right to its use, as priority of adoption and use are the important considerations. Montgomery v. Kalak Water Company of N.Y., Inc., 196 F.Supp. 173, 177 (S.D.N.Y. 1961); 3 Callmann, *supra*, § 76.1 at 276. However, the "genesis of the idea is material . . . as throwing light upon the [initial]

transaction." Atlas Beverage Co. v. Minneapolis Brewing Co., *supra,* 113 F.2d at 678. From the inception of the use of this mark by sales to the consuming public, the name "Saunders" was used in connection with the mark "Wrist Rocket" and continued to be so used with no mention of Ellenburg or his companies with the exception of a point of sale box claimed to have been used for approximately one year. Of course, defendant cannot defeat an infringement action by claiming that its name accompanied the mark, and therefore there was no deception, Menendez v. Holt, *supra,* 128 U.S. at 521, nor does one *lose* rights to a trademark by affirmatively placing the name of his customer on the article along with the mark. Shaver v. Heller & Merz Co., *supra,* 108 F. at 824; Lichtenstein v. Goldsmith, 37 F. 359, 360 (D.Mass. 1889). But the Court is not presented here with a question of abandonment of the mark "Wrist Rocket." The question it must answer is in whom those rights were first found. The briefs indicate this to be the pivotal controversy.

[15] Although many cases speak of the necessity for the trademark to indicate the "origin" of the article, it is clear that the owner of the mark need not be the manufacturer of that article. "The decisive question is not who manufactured the article sold under a given trademark, but which business or article is symbolized by it." 3 Callmann, *supra,* § 68.2 at 72-73. In finding that a seller or dealer of flour had obtained the exclusive right to a trademark, the Supreme Court stated:

> The brand did not indicate by whom the flour was manufactured, but it did indicate the origin of its selection and classification. It was equivalent to the signature of Holt & Co. to a certificate that the flour was the genuine article which had been determined by them to possess a certain degree of excellence. It

> did not, of course, in itself indicate quality, for it was merely a fancy name, and in a foreign language, but it evidenced that the skill, knowledge and judgment of Holt & Co. had been exercised in ascertaining that the particular flour so marked was possessed of a merit rendered definite by their examination and of a uniformity rendered certain by their selection. Menendez v. Holt, *supra,* 128 U.S. at 520.

See also Electronic Communications, Inc. v. Electronic Components for Industry Co., *supra,* 443 F.2d at 492; Keebler Weyl Baking Co. v. J. S. Ivins' Son, Inc., 7 F. Supp. 211, 214 (E.D.Pa. 1934).

Plaintiff contends this is not such a case because Saunders did not control the quality of the slingshot. The evidence does not support such a contention. Plaintiff also contends that since defendant was his distributor the principle is inappropriate. In the absence of a written agreement concerning the use of the mark, and in the absence of a showing that the plaintiff had used the mark previously, the fact that defendant was a distributor does not preclude application of *Menendez.*

Plaintiff did not license defendant to use this mark when the parties started to deal together. The mark had not yet been invented, let alone been adopted and used by the plaintiff. Defendant was the first to affix tags on the slingshots in 1954 after the name was invented. These slingshots were sent to dealers and jobbers from Saunders' company, identified as his products, and he was the one looked to when the "Wrist Rocket" proved defective. As far as the public was concerned Ellenburg's company was practically unknown. Although one may not *lose* rights to a trademark because the public is unaware of one's identity, Shaver v. Heller & Merz Co., *supra,* 108 F. at

824, when determining who *initially acquires* those rights that question is significant. In Distillers Brands v. American Distilling Co., *supra,* the court found that a whiskey distributor had acquired rights to a trademark over the bottler who had invented the mark and applied it to the bottles before delivering them to defendant.

> So far as consumers were concerned, the distillers and the bottler were anonymous. The King's Pride whiskey had only the sponsorship of the King Company as distributor. Where a trademark indicates a distributor of merchandise rather than the maker, it is the distributor who acquires the trademark rights. *For the public associates the goods so marked with the distributor and knows not the identity of the maker. Id.*, 26 F.Supp. at 989 (Emphasis added.)

Again, in Atlas Beverage Co. v. Minneapolis Brewing Co., *supra,* 113 F.2d at 678, the Eighth Circuit in resolving a dispute over who was entitled to a trademark, considered, *inter alia,* evidence that the owner designed and adopted the label, that its name was on the labels and the name of the other party was not, and that it held itself out to the public as owner of the trademark.

The Court finds that (1) Ellenburg had no prior right to the mark when he and Saunders started their relationship; (2) that there was no agreement between them concerning the use of the mark; (3) that Saunders invented the mark and first affixed it to the slingshot in the fall of 1954 as Ellenburg's distributor; (4) that the defendant maintained the quality and uniformity of the slingshot through supervision of the item and recommended changes in its construction; (5) that the public bought the items on the reputation and responsibility of the defendant without

knowledge of the plaintiff and identified its origin with the defendant.[6]

Therefore, the Court finds that defendant adopted and used this mark prior to any use thereof by the plaintiff. The circumstances and facts of this case compel the conclusion that the only use being made of the mark by the plaintiff prior to and at the time of its registration was as an implied licensee of the defendant. Plaintiff was allowed to ship a number of the slingshots through mail orders and to use the carton designed by defendant to facilitate the sales. However, there is no evidence to support a finding that defendant's consent for plaintiff to use the mark in conjunction with those sales was uncontrolled or otherwise resulted in a loss to the defendant of the exclusive right to use that mark which it obtained by prior adoption and use.

The law is clear that Ellenburg acquired no rights to the trademark solely by its registration in 1965 and the facts show that, with the exception that plaintiff was the registered owner after that date, its use of the mark was virtually under the same circumstances as it was prior thereto, that is, as defendant's licensee with permission to use the mark in conjunction with the sale of the slingshots which it manufactured. There is no evidence that the defendant abandoned or otherwise lost its rights as exclusive owner of the mark through any actions of the parties after

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[6] Plaintiff indeed spent large sums in advertising this product. However, although such activity is certainly an attendant and legitimate trademark function, it in itself does not qualify as the adoption and use which fixes the right to the mark's use, nor overpower otherwise vested and existing rights to the mark. Sweetarts v. Sunline, Inc., 380 F.2d 923, 928 (8th Cir. 1967). *See generally,* 3 Callmann, *supra,* § 76.2(e) at 290-291.

1965, the plaintiff continuing as an implied licensee. Menendez v. Holt, *supra,* 128 U.S. at 524. Plaintiff's right to use the mark as an implied licensee of the defendant terminated when the relationship of the parties terminated. The only use made by the plaintiff independent of the defendant was after that date.

From the foregoing, the Court not only finds that plaintiff's infringement action must fail, but also that Registration No. 792,882 must be cancelled pursuant to the authority granted this Court under 15 U.S.C. § 1119. Plaintiff has never acquired a right to use this mark and its mere registration did not create such a right. In the absence of the affidavit of incontestability previously mentioned, there is no doubt that the Court could order cancellation on the findings of prior use alone. Blanchard Importing & Distributing Co. v. Charles Gilman & Sons, Inc., 353 F.2d 400, 401 (1st Cir. 1965), cert. denied, 383 U.S. 968, 86 S.Ct. 1273, 16 L.Ed.2d 308 (1966). The incontestability affidavit puts a different light on the status of the parties, however. 15 U.S.C. § 1115. But the Court does not find that it alters the result in the present case.

> The right to use a registered mark does not become incontestable against one who claims infringement of a valid right acquired prior to the publication date of the registered mark. Such a prior right may prevent or limit the incontestability, depending upon the rights and equities of the parties involved.
> 4 Callman, *supra,* § 97.3(c)(3) at 605-606.

In addition to the above statement of authority in this area, 15 U.S.C. § 1065 itself makes this qualification on the application of the affidavit. The mark becomes incontestable in favor of a registrant after five years:

> [E]xcept to the extent, if any, to which the use of a mark registered in the principal register infringes a

> valid right acquired under the law of any State or Territory by use of a mark . . . continuing from a date prior to the date of publication under this chapter of such registered mark. . . .

The use of the mark "Wrist Rocket" by plaintiff herein was, first of all, not a legal "use" recognized by the trademark law as it and its predecessors were only implied licensees, but even the use as it was cannot oust the defendant's rights to the mark. The incontestability affidavit cannot aid the plaintiff as against the defendant in this case. Therefore, the Court finds that the Commissioner of Patents shall cancel the present registration in plaintiff's name and should issue one to the defendant upon proper application therefor. *See* Massa v. Jiffy Products Co., 240 F.2d 702, 707 (9th Cir.), cert. denied, 353 U.S. 947, 77 S.Ct. 825, 1 L.Ed.2d 856 (1957).

BREACH OF FIDUCIARY DUTY—TERMINATION OF RELATIONSHIP

Next, plaintiff contends that defendant breached a fiduciary duty owed to plaintiff by failing to give plaintiff a reasonable notice of termination of their relationship and by selling certain replacement rubbers during their relationship which were not manufactured by plaintiff.

[16] As to the sale of the replacement rubbers, the Court finds that there is evidence to sustain the allegation that such sales occurred prior to the termination of the relationship. In 1968, defendant developed what he considered to be an "improved" method of constructing the pouch assembly which connected to the rubbers and was sold along with them. It consisted of a plastic, one-piece pouch assembly to replace the three-piece leather assembly

manufactured by plaintiff. A patent was applied for on this pouch in July of 1968 and issued in May of 1970. Steven Ellenburg testified that he saw a slingshot in Saunders' home sometime in the summer of 1970 which incorporated this new pouch assembly. Saunders admitted that he did sell the plastic pouch assembly about four to six months prior to the termination of the arrangement.[7] Although Saunders had been distributing replacement parts manufactured by Ellenburg, plaintiff has shown nothing that would indicate a duty to sell Ellenburg's replacement parts exclusively. Even if such a duty were found, plaintiff has failed to prove his allegations that Saunders breached this duty by selling his own replacement parts instead of Ellenburg's.

Regarding the claim that the relationship was terminated on too short of notice, a succinct review of the facts is in order. The Gauthier Patent that Saunders had acquired in 1965 expired in 1969. This precipitated increased competition in the arm-brace slingshot market and defendant sought to negotiate a lower sale price from Ellenburg which price was based upon a production analysis computed by Saunders' son. Defendants testified that the lower price could have been attained by streamlining the production of the units and that with this streamlining the cut in cost would have been reasonable and that they were willing to help plaintiff with this area. Plaintiff asserts that the defendant simply wanted a cut in cost based on volume selling and it was in no position to grant such a cut. No agreement was reached and on October 19, 1971, plaintiff was notified that the business relationship would terminate in thirty days. Plaintiff immediately sought a

[7] (Tr. at 417-18).

new outlet for the slingshot and by December 10, 1971, had executed a distributorship contract with the Iowa dealer with whom it had dealt prior to the relationship with the defendant. Plaintiff asserts that it was entitled to more than thirty days' notice of termination whereas defendant contends thirty days' notice was sufficient.

Plaintiff's claim rests on its position that the relationship between it and the defendant was a distributorship or sales agency and that, as such, a reasonable notice of termination was implied and the thirty days was not reasonable, particularly in light of the time of year that it was given, such time being a crucial season for advertising and marketing the slingshots. On the other hand, the defendant contends that the relationship of the parties was not a distributorship but was merely a buy-sell agreement, indefinite in time, and terminable at the will of either party without cause. It further contends that, in fact, a cause did exist because plaintiff arbitrarily refused to negotiate a lower price when it realized that the increased competition forced upon the defendant may cause the defendant to stop doing business with it unless that price was lowered. Further, the defendant contends that the thirty days was sufficient as that was the period previously agreed upon in the 1964 agreement (which was never accepted by the defendant). The Court is of the opinion that the relationship of the parties throughout the seventeen years of their doing business was more than a buy-sell agreement as suggested by the defendant. On the other hand, the evidence does not support a finding that defendant was plaintiff's agent in the strict sense. To determine the type of relationship that existed between these parties in 1971, the Court must look to various factors as there was no written agreement defining their relationship in 1971 and there had not been such a written agreement since 1964.

But the plaintiff asks the Court to look to the terms of the 1954 agreement as some evidence of the relationship that existed at all times during this seventeen year period. The Court finds that both parties deemed the 1954 agreement as controlling their initial business relationship even though it referred to the "Howard Wrist Locker Slingshot" as opposed to the "Wrist Rocket" and even though its terms were not precisely followed. The defendant contends to the contrary, but in the correspondence between the parties in the 1964 negotiations, defendant implicitly acknowledged the existence of the 1954 agreement and made no intimation that it had not been in effect for the previous ten years for the "Wrist Rocket" and in fact referred to portions of that 1954 agreement as allegedly breached by the defendant during the previous ten years. As noted, the 1954 agreement clearly was not followed to the letter. That agreement granted defendant the exclusive agency for distribution and sale of the "Howard's Wrist Locker Slingshot" and delineated the obligations of the parties, to wit: plaintiff was to retain a right to advertise and sell to retailers but could not sell to dealers and jobbers; plaintiff was to supply defendant with the units boxed and ready for shipment. Defendant was to present the items to dealers, wholesalers and the trade in general through advertising, showings, etc., and was to receive a twenty-five per cent commission on all sales, computed on the consumer price less forty per cent, less twenty-five per cent, less two per cent if cash discounts were taken. Accounts were to be determined monthly and net amounts transferred to the plaintiff. The agreement was for five years, automatically renewable for another five unless notice to terminate was given prior to the expiration of the original five-year term. The agreement also stated that "this instrument is not revocable during said

term except at the express consent of both parties to this agreement." In fact, the defendant was not paid on a commission basis and Ellenburg did not furnish the boxes for shipment although he did deliver them to defendant's place of business already boxed. No discounts were paid and plaintiff kept no records of the defendant's sales or selling programs but rather plaintiff was paid monthly on the basis of sales slips prepared each time he delivered the units to the defendant's place of business. However, the evidence clearly shows that the pay formula utilized throughout the relationship was essentially the same as the one defined in the agreement and plaintiff did not sell to those whom he was forbidden to do so, except on a few occasions which terminated upon defendant's reprimand. Therefore, whether the 1954 agreement was followed in all aspects or not, the actions of the parties between 1954 and 1964 show that they deemed the portion of the agreement that gave defendant the exclusive right to sell to a certain portion of the job market an effective aspect of their relationship.

The reason the terms of the 1954 agreement and the actions of the parties during the 1954 to 1964 term are important in the Court's consideration of the type of relationship involved in 1971 is because after 1964 no written agreement was entered into and the parties carried on their business for the following years under substantially the same relationship as they had prior to that time. That is, plaintiff continued to manufacture the "Wrist Rockets" and box them in boxes furnished by the defendant and deliver them to the defendant's place of business. The plaintiff continued to refrain from selling to those that were within the defendant's exclusive market for the most part and in a few instances that plaintiff did encroach upon this market, he was reprimanded by the defendant and ceased

doing so. The defendant continued to present the product to the archery trade by various methods throughout this term as he had done previously. At no time during the seventeen years did the defendant have a quota to sell and he continued to sell other products at all times, including those manufactured by his company and others. On at least one occasion, the defendant changed the retail price without consulting the plaintiff, although the increase was eventually noted by and passed on to plaintiff. Defendant attempted to protect himself by obtaining an assignment of the patent on the slingshot in 1965 and by purchasing liability insurance on the product, evidencing his view that the risk was on him in the event of legal complications arising from the sale of the slingshot. In general, the defendant controlled the changes that occurred in the design of the Wrist Rocket throughout this time and essentially controlled the marketing of all the units delivered to him.

A review of the foregoing facts shows that no strict agency relationship existed at any time throughout the period of these individuals' dealings. As stated in Restatement, (2d) Agency § 14J:

> One who receives goods from another for resale to a third person is not thereby the other's agent in the transaction: whether he is an agent for this purpose or is himself a buyer depends upon whether the parties agree that his duty is to act primarily for the benefit of the one delivering the goods to him or is to act primarily for his own benefit.

Comment (b), to the above section, sets forth certain recognized indicia of a buyer-seller arrangement over that of agency. Those factors aligned against the circumstances of this case certainly show that Saunders was acting for his own benefit in selling the goods as opposed to

simply selling them for the benefit of Ellenburg. This would mitigate in favor of a buy-sell arrangement rather than agency. On the other hand, the arrangement between Ellenburg and Saunders clearly envisioned Saunders' efforts in the marketing of the slingshot for Ellenburg who had no marketing experience and to that extent they were delivered to Saunders for Ellenburg's benefit also. Thus, the Court does not find that this was a pure buy-sell arrangement. The arrangement existing in 1971 was essentially one whereby the plaintiff as manufacturer would deliver the slingshots to the defendant as his distributor, the latter to use his best efforts to sell and advertise the product for the benefit of both individuals, Saunders having the sole market for the slingshots to certain customers. As such, the relationship was one adapted to the unique abilities of each party. In J. C. Millett Co. v. Park and Tillford Distillers Corp., 123 F.Supp. 484, 492 (N.D.Cal. 1954), the court recognized that a similar business relationship had characteristics of both agency and sale.

> The distributorship contract in the case at bar is more than a contract of employment or agency. It is also a contract of sale. On the other hand, it is more than a mere sales contract. It partakes of the substantial aspects of both. (Footnote omitted.)

See also Bendix Home Appliances v. Radio Accessories Co., 129 F.2d 177, 181 (8th Cir. 1942) (applying Nebraska law); Consolidated Theaters v. Theatrical Stage E. U., L. 16, 69 Cal.2d 713, 73 Cal.Rptr. 213, 447 P.2d 325, 335 (1968); C. C. Hauff Hardware, Inc. v. Long Manufacturing Co., 257 Iowa 1127, 136 N.W.2d 276, 278 (1965); Des Moines Blue Ribbon Distributors, Inc. v. Drewrys, Ltd., U. S. A., 256 Iowa 899, 129 N.W.2d 731, 736 (1964); California Wine Association v. Wisconsin Liquor Co., 20 Wis.2d 110, 121

N.W.2d 308, 316 (1963). *See generally* Williston on Contracts, Section 1017A at 137-138 (Jaeger, 3d ed. 1967); Annotation, 19 A.L.R.3d 196, et seq. (1968).

[17-19] In situations where such a relationship exists and there is no provision in the agreement for termination, courts have determined that there is implied in said agreements a reasonable duration and a right to reasonable notice of termination. In Elson & Co. v. Beselin & Son, 116 Neb. 729, 735, 218 N.W. 753 (1928), the Nebraska Supreme Court stated as follows:

> The contract of agency being indefinite as to the time it was to run, what was its duration? Where the continuation of a contract is without definite duration the law implies a reasonable time, and what is a reasonable time is to be determined from the general nature and circumstances of the case. When the obligor has expended a substantial sum of money or value or has substantially rearranged his business, as in this case, peparatory to engaging upon the terms of agreement for the benefit of obligee, he ought, through fairness, to have a reasonable time and notice of the cancelation [sic] of the contract in order that he might have a reasonable opportunity to put his house in order.

See also Ansbacher-Siegle Corp. v. Miller Chemical Co., 137 Neb. 142, 147, 288 N.W. 538 (1939). The above cases were dealing with situations where the distributor was suing for an untimely cancellation of the distributor contract. However, the rules applicable for reasonable notice of termination appear to be as applicable to the manufacturer as they are to the distributor. As stated in California Wine Association v. Wisconsin Liquor Co., *supra*, 121 N.W.2d at 317:

> From the standpoint of the parties to an exclusive distributorship contract the factual necessity for requiring reasonable notice is greatly enhanced. *The manufacturer should receive reasonable notice of termination in order to locate another distributor in the area for his products or to seek other arrangements;* the distributor should have reasonable notice in order to make the transition from an exclusive distributor to a non-exclusive distributor or to conduct other transactions relative to his business. (Emphasis supplied.)

Although the business arrangement between Ellenburg and Saunders may not neatly fall within the definition of an exclusive distributor or exclusive sales agency, it certainly was more than a buy-sell agreement and the Court deems that implicit in that arrangement was a requirement that each party give the other reasonable notice of an intention to terminate. In this situation, the parties had dealt in substantially the same manner for seventeen years. The plaintiff's sole outlet to dealers and jobbers was exclusively through the defendant. Similarity of the quandries between Ellenburg in this case and the distributors in the other cases cited needs no further amplification. In both instances, the complaining parties were dependent upon their cohorts to respectively sell or deliver. Since the Court deems the above rules applicable to the present situation, the next question becomes what was reasonable in light of the circumstances of this case. The arrangement in effect in 1971 had continued essentially from 1964 when the 1954 agreement terminated by its own terms and the the parties failed to reach agreement on a new contract. The Court, therefore, finds that any right to a reasonable duration was not breached by the defendant in this case. However, as to the reasonable notice of termination, a different question arises. Defendant contends that the thirty days was sufficient notice, particularly in light of the fact that plaintiff refused to negotiate a lower price to

the defendant for slingshots. Defendant's reference to the 1954 agreement and the thirty-day termination clause therein is of little benefit in this case. A close reading of that agreement shows that the thirty-day termination provision was only applicable if the parties did not wish the automatic renewal clause to come into effect. Subsection (a) of the first paragraph specifically provides that during the term of five years, the instrument was "not revocable" except at the express consent of both parties. Thus, the thirty-day provision in the 1954 agreement does not carry the weight that defendant claims. Little evidence was presented to the Court as to what a reasonable notice of termination would have been under the facts and circumstances of this case. From a reading of the above cases, however, it appears to this Court that said notice depends on the peculiar facts and circumstances of each case. For instance, in J. C. Millett & Co., *supra*, the Court found that a reasonable period of duration was one year and that the notice of termination should be at least three months prior to the intended terminating date. In the present case, the parties had dealt for ten years under the 1954 agreement and for nearly seven years under the 1964 oral agreement. The extensive duration of this business arrangement certainly required more than a summary thirty-day notice that the prior seventeen years of dealing was to completely end. The Court finds that a reasonable notice of termination under the facts and circumstances of this case should have been three months prior to the date the arrangement was to actually terminate. The Court notes that even though the plaintiff's refusal to lower its price might otherwise be found to be sufficient cause to bring the business arrangement to a close, the fact that differences in pricing the unit had arisen throughout the seventeen years and had always been settled in some point or another

between the parties, still leads it to the conclusion that failure to agree on reduction in the cost was not sufficient cause to *summarily* terminate the relationship on thirty days' notice.

DAMAGES UNDER SECTION 1120

[20] The Court has previously referred to defendant's prayer for cancellation of plaintiff's registration. Defendant also asks the Court to award damages under 15 U.S.C. § 1120 which provides for such action if a registration was procured by false or fraudulent statements. Before Ellenburg can incur liability under this provision, Saunders must present sufficient evidence to support a finding that Ellenburg procured registration by a declaration or representation that was incorrect or a wilful attempt to mislead the patent office. Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F.Supp. 973, 984 (M.D. Tenn. 1971), aff'd, 470 F.2d 975 (6th Cir. 1972). The basis for defendant's claim of falsity and fraud are various statements made by plaintiff in his initial application for registration and in his filings regarding the incontestability affidavit. In the application for registration plaintiff stated that the mark had first been used on goods on September 30, 1954, and was first used in interstate commerce in October of 1954. He further stated under oath that he "believes himself to be the owner" and "to the best of his knowledge and belief" no one else had the "right to use" the mark in commerce. He attached a specimen of the mark which had been taken from a point of sale box. The Saunders name had been cut off. In July of 1971 plaintiff submitted an affidavit under Section 15 of the Act, 15 U.S.C. § 1065, wherein he stated that "Howard F. Ellenburg, d/b/a Tru-Mark Manufacturing Company" was the owner of the mark

and the mark had "been in continuous use . . . for five consecutive years. . . . ."[8]

[21] Saunders claims the references set forth in plaintiff's initial application were false and fraudulently made because plaintiff knew that Saunders was using the mark at the time the application was submitted. Thus, the failure to apprise the Patent Office of defendant's use, and in that regard, the cutting of the specimen, are asserted by defendant to require the inference that plaintiff wilfully attempted to mislead the Patent Office and procure the registration thereby. As to Ellenburg's assertion in the application that he believed himself to be the owner of the mark and that no one else had a right to its use, the Court does not find this pronouncement as to plaintiff's *belief* dishonestly made. Merely because he knew Saunders was using the mark at that time is not tantamount to any *right* to its use. In fact, failure to mention the defendant as an owner or one with the right to the mark was entirely consistent with the theory that was presented in this Court that Saunders' use of the mark during this whole period was only for the plaintiff and that Saunders had no rights to the mark. The Court does not find the statement as one intended to deceive or mislead, nor an otherwise false statement of Ellenburg's belief at the time made.

[22] The next item to which defendant attaches a fraudulent intent is the specimen which is submitted along with the application. Plaintiff's application stated:

---

[8] Defendant's contention that plaintiff's Section 15 affidavit filed in July of 1971 was false and fraudulent is found by this Court to have no bearing on its claim for damages under Section 1120. This affidavit was not made to procure the registration and thus the very language of Section 1120 renders it immaterial in this connection. The Court, however, notes that no fraud was shown in conjunction therewith.

> The mark is used by applying it to boxes, containing slingshots, the mark being printed thereon, and five specimens showing the mark as actually used are presented herewith.

This was in fact a false statement since the mark was not actually used without Saunders' name accompanying it. The defendant does not contend that plaintiff had any obligation to submit this specimen, but since it was submitted, it should have reflected the truth, and in the absence thereof it was a material omission and misled the Patent Office. The omission of Saunders' name and the failure of the plaintiff to otherwise state at any point in its application that the defendant Saunders was using the name is submitted as support of a finding of wilful attempt to mislead on the part of Ellenburg.

As stated above, Section 1120 is phrased in the disjunctive. Either false *or* fraudulent statements used to procure the registration are within its purview. Simmonds Aerocessories, Ltd. v. Elastic Stop Nut Corp., 158 F.Supp. 277 (D.N.J. 1958).

> In order for a declaration to be considered fraudulent, it is well established that the declarant must have made a false statement of fact with knowledge of the falsity at the time of the declaration. DeMert and Dougherty, Inc. v. Chesebrough-Ponds, Inc., 348 F.Supp. 1194, 1197 (N.D.Ill. 1972).

The defendant has failed to show the direct and convincing evidence required for a finding of fraud. Ellenburg's statement as to the attached specimen as one actually used has not been shown to have been made with knowledge that it was false. Even if Ellenburg had known that Saunders' name was going to be cut off of the point of sale cartons, which the evidence directly contra-

dicts, it has not been shown that he was aware that its omission contravened the technical requirements of trademark applications. *See, e.g.,* Schwinn v. Murray Ohio Mfg., Co., *supra,* 339 F.Supp. at 983. The Court finds that there was no evidence of fraud on Ellenburg's behalf nor any other evidence of bad faith because the specimen did not contain Saunders' name.

[23] As to the falsity of this statement, however, the Court agrees with the defendants' contentions. The name was not actually used as the altered specimen indicated. The Court is constrained, therefore, to find that falsity did exist in the plaintiff's application and defendant is entitled to recover "any damages sustained in consequence thereof." 15 U.S.C. § 1120; Landstrom v. Thrope, 189 F.2d 46 (8th Cir.), cert. denied, 342 U.S. 819, 72 S.Ct. 37, 96 L.Ed. 620 (1951). However, the Court does not find that defendant's request for attorney's fees and related expenses is proper in this case. As noted in DeMert and Dougherty, Inc. v. Chesebrough-Ponds, Inc., *supra,* 348 F.Supp. at 1199:

> [A]ttorney's fees and related expenses have been awarded under 15 U.S.C. § 1120 (1970) only in those cases where the false registrant could have had no bona fide belief in the validity of his claim and consequently acted fraudulently.

As pointed out above, the Court does not find that Ellenburg acted fraudulently in this case nor that he did not have a bona fide belief in his right to the mark. Additionally, the case of Merry Hull & Co. v. Hi-Line Co., 243 F.Supp. 45 (S.D.N.Y. 1965), and cases similar thereto are sufficiently distinguished from the present case in DeMert and Dougherty, Inc. v. Chesebrough-Ponds, Inc, *supra,* in that fraud and harrassment were found to exist. That clearly was not the case in this matter.

UNFAIR COMPETITON AND DECEPTIVE TRADE PRACTICES

Defendant next seeks injunctive relief and damages for plaintiff's use of the mark after the termination of their relationship in November of 1971 and for its actions taken thereafter.

On November 15, 1971, a letter was sent to dealers and jobbers from attorneys purporting to represent Wrist Rocket Manufacturing Company informing them of the termination of its relationship with Saunders Archery Company and generally pointing out that the slingshot had been developed by Howard Ellenburg and would continue to be manufactured and sold by Wrist Rocket Manufacturing Company through another dealer. It informed them that Saunders was no longer authorized to use the mark "Wrist Rocket."

At approximately this time, a letter was sent by Howard Ellenburg himself, as president of Wrist Rocket Manufacturing Company, in which it was explained that Saunders Archery Company no longer was authorized to sell any product with the Wrist Rocket mark and informing the recipients of the letter that Wrist Rocket Manufacturing Company was in the process of suing Saunders Archery Company for continuing to use the mark. The letter encouraged dealers and jobbers to buy only genuine Wrist Rocket products which only Wrist Rocket Manufacturing Company had the right to sell.

These letters generated follow-up letters to Saunders Archery Company from dealers and jobbers indicating their understanding that they could no longer obtain Wrist Rockets from Saunders and inquiring as to whether the latter had any quantities of the slingshots that it wished to close out. Saunders replied to such letters by inform-

ing them that the letters from Wrist Rocket Manufacturing Company and its attorneys had misinformed them and that Saunders Archery Company was "very much in the Wrist Rocket business" and could supply them as it had in the past.

The agreement by plaintiff was signed by Durapak corporation on December 10, 1971. Shortly thereafter, Durapak proceeded to send letters to the effect that it had recently been appointed the exclusive agent for sale of Wrist Rocket and that all future sales of the original Wrist Rocket would be handled by it rather than Saunders Archery Company. The evidence is clear that this precipitated some instances of payments being directed to Durapak when they should have been made to Saunders, although there is no evidence that they were not passed on to Saunders. Saunders claims that this activity on the part of Ellenburg in selling products under the name Wrist Rocket after their relationship terminated and the change of the corporate name from Tru-Mark Manufacturing Company to Wrist Rocket Manufacturing Company, along with the letters sent by plaintiff and its attorneys to various dealers, constituted unfair competition and deceptive trade practices under the Nebraska Uniform Deceptive Trade Practices Act, Sections 87-301 et seq., Neb. R.R.S. 1943 (Reissue 1971). The defendant also points out that when the above letters were sent, the name of Ellenburg's corporation had not yet been changed to Wrist Rocket Manufacturing Company and in fact, the name change was not officially recorded until January 25, 1972, after the filing of this suit.

[24] The Court finds that plaintiff's action did cause confusion and that the letters sent by plaintiff or its agents did make representations that the Wrist Rocket Manufacturing Company, which was not even in existence at that time, had the status of owner of the mark "Wrist Rocket" which it clearly did not have, all in violation of Section 87-302(a), Neb.R.R.S.1943, and that the use of the corporate name Wrist Rocket Manufacturing Company by plaintiff constituted unfair competition. The Court thus finds that defendant is entitled to a permanent injunction against plaintiff's continued use of the mark Wrist Rocket in any manner in conjunction with arm-brace slingshots or replacement rubbers sold incidental thereto. It further finds that plaintiff's continued use of the corporate name, Wrist Rocket Manufacturing Company would be a deceptive trade practice and unfair competition and thus finds that said name shall be changed to one not confusingly similar thereto within sixty (60) days from the date hereof. Section 87-303(a), Neb.R.R.S.1943.

As to any other damages that Saunders Archery Company may have incurred from plaintiffs use of the mark from January 19, 1972,[9] to the present, the Court will hear evidence thereon at a time to be set by further order of the Court.

[25] Attorneys' fees will not be allowed under the provisions of the Nebraska Uniform Deceptive Trade Practices Act as the Court finds no evidence that plaintiff wil-

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[9] As noted above, defendant's termination of the business relationship on thirty days' notice was improper. The Court found that three months was a reasonable notice of said termination. Thus, the notice having been given on October 19, 1971, the relationship did not properly terminate until January 19, 1972. The plaintiff, therefore, did not infringe upon defendant's mark nor engage in unfair competition by the independent use of the mark until after that date as it had an implied license to use said mark during the term of the relationship.

fully engaged in the above-mentioned activities knowing them to be deceptive, but quite to the contrary, based its acts and position on a colorable theory of right to use the mark. Although the use of the name Wrist Rocket Manufacturing Company before the corporate name was changed was somewhat overzealous on the part of the plaintiff, the Court does not infer fraud therefrom. Section 87-303(b), Neb.R.R.S.1943.

As to costs, the Court finds that the circumstances of this case do not require such an award and each party shall bear its own costs of this action.

In conclusion, the Court finds as follows:

1) Plaintiff's action for trademark infringement and unfair competition has not been sustained by the evidence and must fail;

2) Plaintiff's cause of action for breach of fiduciary duty is sustained and plaintiff is entitled to any and all damages directly resulting from said breach;

3) Defendant is the exclusive owner of the trademark "Wrist Rocket" as used in the sale of arm brace slingshots and replacement rubbers therefor;

4) Registration No. 792,882 issued to plaintiff's predecessor in interest is hereby cancelled and the Commissioner of Patent is ordered to issue a registration of the mark "Wrist Rocket" to Saunders Archery Company upon proper application therefor;

5) Plaintiff has infringed upon defendant's trademark by its use of the mark "Wrist Rocket" after January 19, 1972, and has engaged in deceptive trade practices and unfair competition through its actions following said date. Therefore,

a) Plaintiff is permanently enjoined from using the corporate name "Wrist Rocket Manufacturing Company, Inc." or any name confusingly similar thereto;

b) Plaintiff is permanently enjoined from using the trademark "Wrist Rocket" in any manner on armbrace slingshots or replacement rubbers;

c) Defendant is entitled to any damages directly resulting from plaintiff's use of the trademark "Wrist Rocket" which can be shown to have been actually sustained from said use after January 19, 1972.

6) Defendant is entitled to any and all damages actually sustained as a consequence of the false statements contained in plaintiff's application for registration of the trademark "Wrist Rocket" excepting attorneys' fees and related costs as more fully explained hereinabove.

7) The practices of plaintiff subsequent to the termination of the relationship were not with knowledge of their deceptiveness and no attorneys' fees will be awarded. Additionally, the Court finds that each party shall bear their respective costs of this action.

A hearing shall be held on further order of the Court on the issue of damages on those causes referred to above to which said issue remains for decision, to wit: Items 2, 5(c) and 6.

A separate order will be entered this day in conformity with this Memorandum Opinion.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

CIV. 72-0-120

WRIST-ROCKET MANUFACTURING CO, INC.,
Plaintiff,

v.

CHARLES SAUNDERS, d/b/a SAUNDERS ARCHERY CO.,
Defendant.

ORDER

(Filed May 30, 1974)

This cause having come on to be heard upon the pleadings and proofs, having been tried by the Court and having been fully argued by the parties, in full consideration thereof,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1) That this Court has jurisdiction over the parties and the subject matter of this suit.

2) That the defendant, Saunders Archery Company, through its predecessors in interest, is the sole lawful owner of the trademark "Wrist Rocket" as applied to arm brace slingshots and related items, specifically replacement rubbers therefor.

3) That plaintiff's Registration No. 792,882 for the mark "Wrist Rocket" was procured by false statements accompanying its predecessor's application and the Commissioner of Patents is ordered to issue a registration of said trademark to defendant Saunders Archery Company upon proper application.

4) That plaintiff has infringed the defendant's trademark by employing said mark in advertising and sales of the armbrace slingshots since January 19, 1972.

5) That plaintiff has engaged in unfair competition and deceptive trade practices under the Nebraska Uniform Deceptive Trade Practices Act by engaging in the sale and advertising of arm brace slingshots under the name "Wrist Rocket" after January 19, 1972.

6) That plaintiff, its agents, employees, representatives and all persons in privity with or in any manner acting with plaintiff are enjoined from (a) using in any manner whatsoever in connection with arm-brace slingshots or replacement rubbers or in connection with any other goods or services which may tend to cause confusion or mistake or deception of purchasers or users, the trademark "Wrist Rocket" or any other mark or name which is confusingly similar to defendant's trademark; or (b) in any other manner creating the impression that plaintiff may be sponsored by or connected or associated with defendant's sale of arm-brace slingshots or items associated therewith.

7) That plaintiff is required, within sixty (60) days of the date hereof, to amend its articles of incorporation to change its corporate name to eliminate the name "Wrist Rocket" or any other word or terms confusingly similar to the defendant's aforementioned mark.

8) That defendant improperly terminated the business relationship itself and plaintiff's predecessor in interest on November 19, 1971, with the thirty-day (30) notice of termination given on October 19, 1971, said notice to have been given at least three months prior to said termination.

9) That defendant is entitled to such damages, if any, that may be shown by subsequent hearing before this Court that have been sustained by plaintiff's infringement of defendant's trademark; by plaintiff's engagement in unfair competition and deceptive trade practices; and by plaintiff's improper registration of the mark "Wrist Rocket" (with the exception of attorneys fees and related expenses in the trial of this matter).

10) That plaintiff is entitled to such damage, if any, that may be shown to the Court on subsequent hearing, to have been sustained by it as a result of the unreasonable and improper notice of termination of the business relationship.

11) That the hearing on the issue of damages, if any, sustained by the parties in their respective causes will be set by further order of this Court.

12) That each party shall bear their respective costs and attorneys fees of this action.

DATED this 30th day of May, 1974.

By The Court:
Albert G. Schatz
Judge, United States District Court

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEBRASKA

WRIST-ROCKET MANUFACTURING CO., INC.,
Plaintiff,

v.

SAUNDERS ARCHERY CO., Substituted defendant for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,
Defendant.

CIV. 72-0-120

ORDER

(Filed August 2, 1974)

This matter is before the Court on plaintiff's motions for a new trial, to stay execution of judgment pending the disposition of the motion for a new trial, and to amend the findings of fact.

The Court finds that:

1) The motion for a new trial should be and hereby is overruled.

2) The motion for a stay of execution pending the disposition of the above motion should be and is overruled.

3) The motion to amend findings of fact is sustained. The last paragraph on the bottom of page 19 and top of page 20 of the Memorandum Opinion is amended to read as follows:

> As to the sale of the replacement rubbers, the Court finds that there is evidence to sustain the allegation that such sales occurred prior to the termination of the relationship. In 1968, defendant developed what

he considered to be an "improved" method of constructing the pouch assembly which connected to the rubbers and was sold along with them. It consisted of a plastic, one-piece pouch assembly to replace the three-piece leather assembly manufactured by plaintiff. A patent was applied for on this pouch in July of 1968 and issued in May of 1970. Steven Ellenburg testified that he saw a slingshot in Saunders' home sometime in the summer of 1970 which incorporated this new pouch assembly. Saunders admitted that he did sell the plastic pouch assembly about four to six months prior to the termination of the arrangement. Although Saunders had been distributing replacement parts manufactured by Ellenburg, plaintiff has shown nothing that would indicate a duty to sell Ellenburg's replacement parts exclusively. Even if such a duty were found, plaintiff has failed to prove his allegations that Saunders breached this duty by selling his own replacement partes (sic) instead of Ellenburg's.

The text of footnote 7 should be amended to read as follows:

7. Transcript at 417-18.

As understood and requested by the parties and as herein ordered by the Court, this order, as to liability, is in all respects a final order.

By The Court:

/s/ Albert G. Schatz

Judge, United States District Court

APPENDIX E

Pertinent Provisions of the Statute Involved

Section 15 of the Trademark Act of 1946, as amended (15 U.S.C. 1065) provides in pertinent part:

Except on a ground for which application to cancel may be filed at any time under subsections (c) and (e) of section 14 of this Act, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of the publication under this Act of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for 5 consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided That—*

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within 1 year after the expiration of any such 5-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such 5 consecutive years and is still in use in commerce, and the other matters specified in subsections (1) and (2) hereof; and

(4) no incontestable right shall be acquired in a mark which is the common descriptive name of any article or substance, patented or otherwise.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this Act shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within 1 year after the expiration of any period of 5 consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 12 of this Act.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof (Amended Oct. 9, 1962, 76 Stat. 769).

Section 33(b) (15 U.S.C. 1115b) of this Trademark Act provides:

If the right to use the registered mark has become incontestable under section 15 hereof, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 15 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this Act or publication of the registered mark under subsection (c) of section 12 of this Act: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this Act or publication under subsection (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States (Amended Oct. 9, 1962, 76 Stat. 769).

Section 37 (15 U.S.C. 1119) of the Act provides:

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent Office, and shall be controlled thereby.

Supreme Court, U. S.
FILED
SEP 2 1975
MICHAEL RODAK, JR., CLERK

In The

Supreme Court of the United States

October Term, 1975

No. 75-203

SAUNDERS ARCHERY COMPANY, Substituted for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,

Petitioner,

vs.

WRIST-ROCKET MANUFACTURING CO., INC.,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

William G. Campbell
Kutak Rock Cohen Campbell
Garfinkle & Woodward
600 Woodmen Tower
Omaha, Nebraska 68102
(402) 346-6000
Attorneys for Respondent.

COCKLE PRINTING CO., 1822 St. Mary's Ave., Omaha

TABLE OF CONTENTS

	Page
Opinions Below	2
Questions Presented For Review	2
Statement of the Case	2
Reasons for Denying the Writ:	
I. The Court of Appeals correctly held that an incontestable registration cannot be cancelled in favor of an owner of common law trademark rights.	5
II. The ruling of the Court of Appeals is compatible with decisions of other circuits.	8
III. Where, as here, the public interest in identifying the origin of goods is served, no issue of public policy remains to be settled.	9
Conclusion	10

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John Morrel & Co. v. Reliable Packing Co., 295 F. 2d 314, 316 (7th Cir. 1961)	7
P. Daussa Corp. v. Sutton Cosmetics (P. R.) Inc., 462 F. 2d 134, 136 (2d Cir. 1972)	10

CASES CITED—Continued

Pages

Philco Corp. v. Phillips Mfg. Co., 133 F. 2d 663 (7th Cir. 1943) 8

Schwinn Bicycle Co. v. Murray Ohio Mfg. Co., 339 F. Supp. 973 (M. D. Tenn. 1971), aff'd 470 F. 2d 975 (6th Cir. 1972) 8, 9

Smith v. Chanel, Inc., 402 F. 2d 562 (9th Cir. 1968) 10

STATUTES CITED

15 U. S. C. 1115 (a) 7

15 U. S. C. 1115 (b) 6, 7

15 U. S. C. 1120 5

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SAUNDERS ARCHERY COMPANY, Substituted for CHARLES SAUNDERS d/b/a SAUNDERS ARCHERY CO.,

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vs.

WRIST-ROCKET MANUFACTURING CO., INC.,

Respondent.

—o—

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

—o—

Respondent, Wrist-Rocket Manufacturing Co., Inc., Appellant and Cross-Appellee in the Court below, prays that the petition of Saunders Archery Company for a writ of certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit be denied.

—o—

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eighth Circuit dated May 12, 1975, is reported at 516 F. 2d 846 and at 186 U. S. P. Q. 5. The opinion of the United States District Court for the District of Nebraska, dated May 30, 1974, as amended August 2, 1974, is reported at 379 F. Supp. 902 and 183 U. S. P. Q. 17.

—o—

QUESTIONS PRESENTED FOR REVIEW

Where the Congress has by statute provided that an incontestable trademark registration shall be conclusive evidence of the registrant's exclusive right to use the mark except if certain enumerated defenses are shown, may a federal court cancel a party's incontestable registration and award it to another party where none of the enumerated defenses exist?

—o—

STATEMENT OF THE CASE

In early 1954 Howard Ellenburg (predecessor to respondent) invented a wrist-braced slingshot (R. 9-10). He sold a few of the slingshots himself (R. 17, 23), but he wished to market it on a wider basis than he felt capable of reaching personally. For this purpose he showed the slingshot to several sporting goods distributors, among whom was Charles Saunders, who lived in Ellenburg's home town of Columbus, Nebraska. In July 1954, Ellenburg and Saunders entered into a written

agreement whereby Saunders was granted an exclusive agency to sell the slingshot to dealers, with Ellenburg retaining the right to make direct sales to consumers (Pl. Exh. P-1, R. 34-35, 82-83). The agreement was for five years, automatically renewable for another five years.

Saunders test-marketed the slingshot under the name "Wrist-Locker", which Ellenburg had been using (R. 18, 229, 347, 349), but the name was soon changed to "Wrist-Rocket". The name was invented by an advertising agency which had done work for Saunders (R. 70), and its use was discussed by the parties before it was adopted (R. 116-117, 226). There was never an agreement between the parties as to who had ownership rights in the name. All subsequent sales, by both Saunders and Ellenburg, were under the name "Wrist-Rocket" (R. 115).

The written distributorship agreement lapsed by its own terms in 1964 and was not renewed (R. 81), but its provisions continued to be followed (R. 173-179) for another seven years. For those 17 years the parties cooperated in the sale of the slingshot, with Ellenburg manufacturing slingshots and selling them to Saunders and directly to consumers, and with Saunders buying slingshots exclusively from Ellenburg and selling only to dealers. The product was promoted by both parties under the name "Wrist-Rocket". Ellenburg advertised extensively in consumer periodicals of national circulation (R. 58-61, 210-214) and sold slingshots on a large scale (R. 62-63). Saunders advertised with jobbers and dealers in sporting goods (R. 293-294).

In 1965, Ellenburg registered the trademark in the United States Patent Office in his own name doing busi-

ness as Trumark Manufacturing Company (Pl. Exh. P-30; R. 85). An affidavit of five years' use was filed in 1970, so that Ellenburg's rights in the mark became incontestable under Section 15 of the Trademark Act of 1946 (15 U. S. C. 1065).

In November 1971 Saunders terminated the distributorship arrangement on thirty (30) days' notice and began to sell similar slingshots of his own manufacture under the name "Wrist-Rocket". Respondent filed suit in the United States District Court for Nebraska for trademark infringement, breach of fiduciary duty and breach of contract. Petitioner counterclaimed for declaratory judgment determining trademark rights, for damages resulting from alleged false representations to the Patent Office, and for relief under the Nebraska Deceptive Trade Practices Act. Jurisdiction was proper under 28 U. S. C. 1338(a).

The District Court ordered respondent's trademark registration cancelled and a new registration issued to petitioner, enjoined respondent from use of the mark, and awarded damages to petitioner for respondent's use of the mark, for procuring registration by false statements, and for unfair competition under Nebraska law. The Court awarded damages to respondent for petitioner's breach of fiduciary duty. Both parties appealed.

The Court of Appeals for the Eighth Circuit reversed the District Court in part. The Court of Appeals found that the District Court's conclusion that petitioner was the common law owner of the mark was not clearly erroneous (516 F. 2d 850), but it held that trademark rights enforced under the statutory procedure

for incontestable registration are conclusive except as provided by statute, and that the District Court therefore committed an error in ordering respondent's registration cancelled and granted to petitioner. The Court of Appeals held, however, that an incontestable registration does not give the registrant a right to oust a prior user with common-law rights (516 F. 2d at 851). It therefore held that both parties have a right to use the mark "Wrist-Rocket" together with a prefix to prevent purchaser confusion. The case was remanded to the District Court for further proceedings consistent with the opinion of the Court of Appeals.

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REASONS FOR DENYING THE WRIT

I.

The Court of Appeals correctly held that an incontestable registration cannot be cancelled in favor of an owner of common law trademark rights.

Petitioner states that "the District Court below determined it had the statutory authority to 'rectify' the trademark register and to cancel an incontestable registration obtained by false, but not fraudulent, statements to the Patent Office." (Petition for Writ of Certiorari, at 6.) First, it should be pointed out that the District Court did not state that it was cancelling the incontestable registration because of false statements by the registrant. The court's only discussion of "falsity" was in connection with damages under 15 U. S. C. 1120, an issue not

raised by Petitioner in the Petition for Certiorari. With respect to rights to the mark the Court found that the common law right to the mark was in Saunders (379 F. Supp. at 915), that no rights arose in Ellenburg through his registration (Id.), and that incontestability did not alter the result (Id.). Thus, the District Court was implicitly relying on some inherent power of a court to disregard an incontestable registration where it finds common law rights existing in a party other than the registrant. In this, the Court was ignoring the clear language of 15 U. S. C. 1115 (b), which states:

> If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark . . . except when one of the following defenses or defects is established . . .

None of the enumerated defenses or defects was found to exist. The only one relevant here is the first, "That the registration or the incontestable right to use the mark was obtained fraudulently." The District Court specifically found that registration and incontestability were not fraudulently obtained (379 F. Supp. at 921, 922), although it did find that submission of partial specimens of the mark was a "false" statement within the meaning of another section (15 U. S. C. 1120) though not done in bad faith (379 F. Supp. at 921, 922).

The section quoted above is a clear directive to the federal courts of the weight to be given to an incontestable registration when it is attacked by another party. As the Court of Appeals below noted, the section is meant to give "protection against perpetual attack on a registered trademark" (516 F. 2d at 851). Other courts have

come to the same conclusion. As the court stated in *John Morrell & Co. v. Reliable Packing Co.*, 295 F. 2d 314, 316 (7th Cir. 1961), "This section was intended to protect a registrant from having its mark cancelled by a prior user claiming superior rights." *See also Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 936 (S. D. N. Y. 1967). But the decision of the District Court below renders the section absolutely meaningless. If a court has inherent power to cancel an incontestable mark and award the registration to another party whom it finds to have common law rights, then no mark is incontestable. Every trademark challenge must be fully litigated, and the common law owner will always win. The law, in effect, would be exactly what it was before Congress passed the Trademark Act of 1946.

The law before the passage of that Act was that trademark registration was prima facie evidence of ownership. 4 Callman, *Unfair Competition, Trademarks and Monopolies,* (3d Ed.) § 97.3 (b) at 594. This rule was incorporated into the Trademark Act of 1946 (15 U. S. C. 1115(a)) and still applies where a registration has not become incontestable. But Congress also adopted the "conclusive evidence" rule of 15 U. S. C. 1115(b) and made it applicable where a registration has become incontestable. The intent of Congress is unmistakable from the statute: there was an intent to give incontestable registrations greater protection than had previously been given. The only real question, then, is whether Congress had the power to change the common law of trademarks, to give a registrant an

absolute right to use a mark in spite of unregistered prior use by another. A plain statement of the issue makes the answer clear: it would be futile to argue that Congress lacked this power. *See Philco Corp. v. Phillips Mfg. Co.,* 133 F. 2d 663 (7th Cir. 1943); 4 Callman, *Unfair Competition, Trademarks and Monopolies,* (3d Ed.) § 97.2. Thus the result reached by the District Court is clearly erroneous. Furthermore, while it is true that 15 U. S. C. 1119 (Section 37 of the Trademark Act) gives courts of the United States power to "rectify the register" in various ways, that section must clearly be read as a part of the whole Trademark Act. Where the Congress has specified the effect of an incontestable registration, that effect cannot be disregarded under a general enabling section such as 15 U. S. C. 1119.

II.

The ruling of the Court of Appeals is compatible with decisions of other circuits.

The action taken by the District Court below is unprecedented. In no previously reported case has a court taken it upon itself to cancel an incontestable registration of a trademark where the mark is not inherently unregistrable. There is no conflict among the circuits on this point. Petitioner cites the case of *Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.,* 339 F. Supp. 973 (M. D. Tenn. 1971), aff'd. 470 F. 2d 975 (6th Cir. 1972). The "mark" in question there was knurling of a wheel rim, intended to hide a weld. The knurling was found to be functional and thus not registrable. The key to that case is to be found in the words of the District Court:

> "Thus it is clear that an *inherently defective* trademark, *one not entitled to registration* with the Office of Patents as being an *invalid mark at common law,* is not rendered valid by becoming incontestable under § 1115 (b)." 339 F. Supp. 973, 982. (Emphasis added.)

The decision in the *Schwinn* case thus was not that one party or another should have the exclusive right to the mark, but that no one should have such a right, because to grant such a right would exclude others from using the functional knurling. This was merely a decision that functional markings were not within the meaning of the word "trademark" as used by Congress when it adopted the Trademark Act of 1946. Since functional devices had never been subject to appropriation as trademarks at common law, *see* 3 Callman, *Unfair Competition, Tradesmarks and Monopolies* (3d Ed.) § 77.4 (e) (1), at 388-394, the result was perfectly sound.

The present case is distinct. The mark "Wrist-Rocket" is not inherently invalid, and it was not declared invalid by the court below. Instead, the court took the registration from one party and awarded it to another, in contravention of a statute adopted by the Congress. The Circuit Court properly reversed that result.

III.

Where, as here, the public interest in identifying the origin of goods is served, no issue of public policy remains to be settled.

As a general rule trademark rights are exclusive. However, courts have shown a willingness to arrive at some other result where equity would be served thereby. Thus, in *Alfred Dunhill of London, Inc., v. Dunhill Tail-*

ored Clothes, Inc., 293 F. 2d 685, 692 (C. C. P. A. 1961), *cert. denied* 369 U. S. 864 (1962), concurrent registration of conflicting marks was permitted. In *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 936 (S. D. N. Y. 1967), a registrant with an incontestable registration and a prior user were both left with rights to use conflicting marks. In *P. Daussa Corp. v. Sutton Cosmetics (P.R.) Inc.*, 462 F. 2d 134, 136 (2d Cir. 1972), the court left it open to both parties to prove equal rights to use one trademark and stated that if such were the case, concurrent use would be permitted.

Trademark law serves the public interest by allowing a manufacturer to identify the origin of his goods. *E.g., Smith v. Chanel, Inc.*, 402 F. 2d 562 (9th Cir. 1968). The Court of Appeals below was mindful of this, and required that each party use a prefix with the mark "Wrist-Rocket" so that consumers should not be confused as to the origin of the goods. The public has no interest beyond that. Where the origin of the goods is made clear and the result is equitable for the parties, it is not necessary to insist that trademark rights must always be exclusive simply so that theoretical "doctrine" will be preserved.

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CONCLUSION

For the reasons stated above, the petition for a writ of certiorari to review the judgment of the Court of Appeals for the Eighth Circuit should be denied.

Respectfully submitted,

WILLIAM G. CAMPBELL,
KUTAK ROCK COHEN CAMPBELL
GARFINKLE & WOODWARD,

600 Woodmen Tower,
Omaha, Nebraska 68102
(402) 346-6000

Attorneys for Respondent.